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ATES FOR SPRING WHEAT

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

SECOND SESSION

P47-42

FEBRUARY 28 AND MARCH 1, 1922

SERIAL J (Supplemental)



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HEARINGS

BEFORE THE

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COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

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WASHINGTON
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1922

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

GILBERT N. HAUGEN, Iowa, *Chairman.*

JAMES C. McLAUGHLIN, Michigan.

CHARLES B. WARD, New York.

FRED S. PURNELL, Indiana.

EDWARD VOIGT, Wisconsin.

MELVIN O. McLAUGHLIN, Nebraska.

CARL W. RIDDICK, Montana.

J. N. TINCER, Kansas.

THOMAS S. WILLIAMS, Illinois.

JAMES H. SINCLAIR, North Dakota.

EDW. D. HAYS, Missouri.

CHARLES J. THOMPSON, Ohio.

FRED B. GERNERD, Pennsylvania.

FRANK CLAGUE, Minnesota.

JOHN D. CLARKE, New York.

HENCE JACOWAY, Arkansas.

JOHN W. RAINES, Illinois.

JAMES B. ASWELL, Louisiana.

DAVID H. KINCHELOE, Kentucky.

MARVIN JONES, Texas.

PETER G. TEN EYCK, New York.

L. G. HAUGEN *Clerk*

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GRADES FOR SPRING WHEAT.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,

February 28, 1922.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Purnell, Mr. Voigt, Mr. Riddick, Mr. Tincher, Mr. Williams, Mr. Sinclair, Mr. Hays, Mr. Thompson, Mr. Gerner, Mr. Clague, Mr. Clarke, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

The CHAIRMAN. Who is your next witness, Mr. Tincher?

Mr. TINCHER. There are three gentlemen here that want to appear on the Steenerson bill.

STATEMENT OF MR. R. S. HURD, WICHITA, KANS., REPRESENTING THE MILLERS' NATIONAL FEDERATION.

Mr. HURD. I am appearing here in behalf of the Millers' National Federation, as chairman of their committee on grain standardization and inspection.

We are here to make a protest against the provisions of House Resolution 9668, known as the Steenerson bill. My time is very limited this morning, gentlemen, and we will try to get just as much of our case into the record as possible. I have a formal protest here which, with your permission, I will try and hit the few outstanding points in it and ask permission to insert the protest as a whole in the record.

The CHAIRMAN. Just what is your objection? Will you state it?

Mr. HURD. My objection is, first, that we do not believe this is a matter that should be taken up at this time before Congress. Congress has delegated and vested in the Secretary of Agriculture the power to not only make the grades and standards for wheat, but also to alter or modify such standards at such times as, in his judgment, the trade demands. At your hearings on the original bill, No. 7401, held last summer, the matter was brought up, and from Secretary Wallace's testimony he stated to you at that time that he had held a hearing last April at which all parties were represented. He being a new member of the Cabinet, just having taken office, he did not feel that he was able at that time to make modifications or changes without mature consideration.

The CHAIRMAN. You are aware of the fact that they have been investigating that for 15 years?

Mr. HURD. The inspection of Federal grain has been in effect since 1917 only, and, I am informed, and the Secretary in his testimony so states, that his interest was the farmer's interest and he wished

to know more about how the farmer was affected at the country buying point, and to that end he stated that he had planned to send investigators, men from his department—I might say, men from outside of his department—two in particular, whom I know of, one Professor Fitz, of the Kansas State Agricultural College; the other, Doctor Coulter, who at that time was in West Virginia, I think now is head of the North Dakota State College. I am informed that his reports are in for all of his investigations and that his department, within the next 30 or 60 days, will be in shape to make their decision on that investigation.

Mr. TEN EYCK. May I ask something right along that line? Some six months ago Secretary Wallace called a meeting of a number of Representatives in Congress and some of the bureau authorities, to meet in his office one evening. I attended that meeting. I think some of the Members here attended the meeting also, and at that time he said he was going to send people into the field to obtain the information as to how they grade their wheat and what changes he could recommend to Congress. Are you going to report on that investigation now?

Mr. HURD. The only investigation that I know of, Mr. Congressman, has been under way—I presume it is the same one you are referring to—the investigation that has been going on since the summer, I think about July, in the Middle West.

Mr. SINCLAIR. That is the same investigation that Mr. Hurd mentions in his statement.

Mr. HURD. That is the only one I know of.

Mr. TINCER. That is the one he says the Secretary is going to be ready to act upon in the next 30 or 60 days.

Mr. HURD. We as millers, gentlemen—I represent the Millers' National Federation with a membership of over 1,400 mills, representing 32 States in the Union, turning out a capacity of 400,000 barrels of flour each day—that is their potential capacity—so I am speaking for the millers of the United States, and we believe that the Department of Agriculture has the facts; they have made a systematic study covering a great number of years of the marketing of wheat and wheat grading from the farmer to the consumer. We believe that they have the best file, the most complete file of reliable information on the subject of wheat grading that there is in the world, and we believe that this is a highly technical matter. I am not here to discuss with you the details of the different factors. We have two other gentlemen here who are thoroughly familiar with that subject and can touch on that. I am here merely to protest against any lowering of the standards.

The CHAIRMAN. You represent the millers?

Mr. HURD. I represent, as chairman of their committee, the Millers' National Federation, a federation which is constituted of 1,400 member mills—slightly over that—representing mills in 32 States in the Union with a capacity of 400,000 barrels of flour a day.

The CHAIRMAN. What do you say as to the contention that the wheat growers are losing from \$50 to \$60 on every car of wheat on dockage under the present system? If that is so I presume the millers would be for the present system?

Mr. HURD. The facts will not bear that out, Mr. Chairman.

The CHAIRMAN. How is that?

Mr. HURD. I rather think the facts will not bear that out. I notice that statement in the testimony, but I do not believe it.

The CHAIRMAN. You have read the testimony?

Mr. HURD. I have read the testimony; yes, sir.

The CHAIRMAN. It has not been disputed, has it? Are you here to dispute it?

Mr. HURD. We are here to protest against the lowering of grades.

The CHAIRMAN. But I am speaking now about what is being done.

Mr. HURD. I think we have gentlemen here that could dispute that testimony.

The CHAIRMAN. Kindly answer the question for yourself. You say you doubt the statement.

Mr. HURD. If you will make your statement again, Mr. Chairman.

The CHAIRMAN. As to the statement made about the dockage, the loss of \$50 or \$60 a car to the growers—the statement contained in the record; have you read the record, if so, you know what it is.

Mr. HURD. I have read the record three times; yes, sir.

The CHAIRMAN. Well, if you have read it you are aware of the contention that the growers are penalized to the extent of \$50 to \$60 a car.

Mr. HURD. But you made the statement, Mr. Chairman, as I understood you, that the miller had derived that profit from the farmer.

The CHAIRMAN. That the miller had? No, I asked you the question if he was making big profit. If there is any question about that I refer you to the Federal Trade Commission's report. Take it for what it is.

Mr. HURD. As I understood your opening remark you inferred that the miller had gotten that \$50 a car.

The CHAIRMAN. Oh, no; I did not say any such thing.

Mr. HURD. Then I beg your pardon. I misunderstood you.

The CHAIRMAN. I asked you if the millers had not been making a profit and if it was not a fact that some of the farmers had lost \$50 or \$60 a car under this system of grading.

Mr. HURD. I think you would have the same condition under any system of grading.

The CHAIRMAN. Do you think that should continue?

Mr. HURD. No; I do not.

The CHAIRMAN. Then why are you opposed to improving it?

Mr. HURD. I am not opposed to improving it; I am opposed to not improving upon it, which I think would be the result under the provisions of the proposed bill. I think it is tearing down rather than building up.

The CHAIRMAN. Tearing down the profits, that is true.

Mr. HURD. Tearing down the standards. You can not legislate value into grain by a system of grading.

The CHAIRMAN. What do you say about dockage?

Mr. HURD. If you ask me—

The CHAIRMAN (interposing). Do you believe that a miller or anybody else should be allowed by law to rob the other fellow of \$50?

Mr. HURD. I do not believe that anybody should rob anybody of \$50.

The CHAIRMAN. Then why are you opposed to the change?

Mr. TINCER. Do you believe that the farmer who produces wheat in my section should stand dockage on the kind of wheat exhibited here in these hearings, by reason of some law that was passed?

Mr. HURD. I did not see the samples, but I rather imagine that they were—

Mr. TINCER (interposing). I have been against sustaining that dockage for them ever since I saw the standards.

Mr. HURD. Now, if I may continue, Mr. Chairman, the delegation from the Northwest has had various hearings before the Department of Agriculture. At the hearing in Chicago, held May 29, 1920, the findings of which are under S. R. A., Market 62. There is one paragraph in that that I wish to emphasize as coming from your Department of Agriculture. The request made by the central northwest delegation for the general lowering of the present standards for hard red spring and Durham wheat was made apparently on the theory that under the standards they proposed, the producer would receive more money for his wheat. The arguments made in support of this theory were not convincing and were not supported by evidence; on the other hand, the testimony seemed to prove that under free and open competitive marketing conditions, the lowering of the present standards would tend to reduce the return to the farmer.

The department's study of grain marketing supports the latter view. That is the opinion of the department that has made a life study of this proposition.

The CHAIRMAN. Representatives of the department were present and figures were presented and nobody questioned the figures, so that is an admitted fact, and it is not necessary to be discussing that part of it. It is just a question of whether they shall continue their robbery or not. Now, that is the only question involved.

Mr. TINCER. I do not think that is the only question. As I understood the question, it was proposed by law here to arbitrarily fix a dockage on certain classes of wheat and then permit the taking of that off from the other classes of wheat; and I suggest, Mr. Chairman, that the Secretary of Agriculture having had a committee to investigate this matter and that he is going to be ready to report within 20 to 30 days as to what he thinks about it, he ought to be permitted to make that final report to this committee before we enact this legislation. I was not present when the committee voted out this bill and I am for the Northwest wheat grower, anything in the world we can do to help him, but we have not anything to contribute to making up his grade of wheat in my section of the country.

Mr. CHAIRMAN. Let us see if we can get this straightened out. Here is what the bill reads:

All foreign material in wheat, except rye, shall be classed as dockage, and all dockage shall be designated on the grade certificate specifying kind and quantity, but shall not affect the grade.

That is for the protection of the buyer that he may know the value of the dockage and pay the seller accordingly. That is where they get that \$60 they refer to. The fact that the buyers are permitted to take advantage of the shipper to that extent seems to me absolutely wrong.

Mr. HURD. Yes; we hold no brief for the present standards. We do not say they are perfect.

The CHAIRMAN. What do you say about the dockage? That is what I am interested in.

Mr. HURD. I am free to confess, Mr. Chairman, I am a southwestern miller; I am not acquainted and I am not competent to answer your questions in detail on those bills. We have a man here, Mr. Mills, from Minneapolis, who will be glad to answer those questions in detail.

Mr. STEENERSON. What kind of wheat do you grind?

Mr. HURD. Hard red winter wheat.

Mr. STEENERSON. You do not grind spring wheat?

Mr. HURD. We have never used a bushel of spring wheat, Mr. Steenerson.

Mr. STEENERSON. Well, I do not see how these grades can affect you, then?

Mr. HURD. I am not speaking of the Kansas mills; I am speaking as a representative of the Millers' National Federation.

Mr. STEENERSON. The Kansas miller is not concerned in this?

Mr. HURD. If you would have Congress establish spring-wheat grades, do you think you should then leave winter-wheat grades with the Department of Agriculture?

Mr. STEENERSON. Yes; they are satisfactory.

Mr. HURD. You would have two departments of the Government—or two departments establishing grades.

Mr. STEENERSON. No; it is still left in the Department of Agriculture. This simply goes into effect for a year or two and then the Department of Agriculture can modify them.

Mr. SINCLAIR. The winter-wheat men have been satisfied with their grades for years and years, while on the other hand the spring-wheat men have been protesting ever since they went into effect.

Mr. STEENERSON. They have been protesting every year.

Mr. HURD. You are perhaps aware that there are certain spring-wheat sections that are protesting against any lowering of the grades? You are aware of that?

Mr. SINCLAIR. There are certain spring-wheat sections protesting?

Mr. HURD. There are certain sections at each hearing and every hearing, and I think the Secretary so states in his testimony here and states where those sections are.

Mr. SINCLAIR. We have not had before the last hearing—I do not recollect any spring-wheat section where the actual farmers came down and protested against the changing of the grades. I think they were all for them, and the farm associations were for it, as near as I can recollect.

Mr. HURD. I might quote you just two lines here from Secretary Wallace's testimony on page 274:

Secretary WALLACE. When you get into the Northwest, they protest against a change because they are raising a much higher grade of wheat.

Mr. CLAGUE. Where?

Secretary WALLACE. In Montana and out in the far Northwest, where they raise the higher grade of wheat.

Mr. STEENERSON. That is winter wheat.

Mr. SINCLAIR. That gets up into the Montana region.

Mr. HURD. Very true, and I think you will find that in Montana and certain parts of the Dakotas.

Mr. STEENERSON. But the farmers were not represented. That is simply his statement.

Mr. HURD. I take Mr. Wallace's statement to be a fact.

Mr. CLAGUE. I think I asked that question—or made that statement, that there was not one single farmer or farmers' organization that I know of in this country but what is protesting against the present grading of spring wheat. I am from Minnesota.

Mr. TEN EYCK. The cause of that is the fact that the very planting of wheat in the spring permits weeds and other foreign matter to grow up and create a lot of foreign material in the wheat.

Mr. CLAGUE. That does not apply in the winter wheat section.

Mr. SINCLAIR. That is very true. There is a difference; there is no question about that.

Mr. TINCHER. Well, the people in the winter wheat section that produce the wheat are asking for modifications of the grades, trying to get them through the Department of Agriculture. Here is my position, that either the Department of Agriculture should fix these grades or Congress should fix them. If Congress went into the fixing of grades, passing a law to fix wheat grades, we should pass a law to fix all grades.

Mr. STEENERSON. We have got that law now, but the department does not seem to respond to the demands of the people.

Mr. TINCHER. But since I have been in Congress there have been at least two or three different modifications of the grades, and two of them have been distinctly in favor of the farmers in my district in Kansas.

Mr. STEENERSON. Let me say I am aware that the gentleman was not here when this matter was gone into, but the demand for changes has been constant from the very first year that these grades were promulgated, and complaints have been uniform and we would not have introduced this bill to change the grades by act of Congress if there was any prospect of ever getting any change in the department, but the three Secretaries of Agriculture that we appeared before—and everybody that went to the Secretary of Agriculture was denied relief. They all said at that time—the first Secretary said that he could not change it now because of the war; and the second Secretary said he could not change it now because they had not been long enough tried under peace conditions, and this last Secretary said he could not change it because he had not been in office long enough.

Mr. HURD. That is just the point I am making.

Mr. CLARKE. Mr. Wallace has taken an active interest in it now, and I do not think we want to pass this legislation before we get his report.

Mr. STEENERSON. It was this investigation before this committee that disclosed these enormous injustices, that hurried the department, notwithstanding the fact that the bureaucrats there that have made these grades are still against us.

Mr. HURD. The Secretary, in order to make an investigation, appointed Professor Coulter and Mr. Fitz to go out and investigate the question in the field. Mr. Coulter, as I am told by reliable information, reported in favor of these changes.

Mr. STEENERSON. It has lain there now for two months. I have been down to the Secretary's office and urged him to make these changes at once, so that the people could know before they plant their crop that these regulations would go into effect before they harvested it.

Now, Mr. Fitz's report, as I understand it, simply relates to the question of whether some of these foreign materials are separable or inseparable.

It is a fact that this committee's consideration of this bill has at last stimulated the department to activity, and I hope that they will give some kind of relief from this injustice, because there is not a man in the United States that knows anything about it that does not admit that it is an injustice. I have a letter here from the biggest miller in the world that admits that the farmers are being—I will not say robbed, but they are losers.

Mr. SINCLAIR. Are being discriminated against.

Mr. STEENERSON. They are losing from 18 to 40 cents a bushel by this rule in regard to dockage, degrading No. 1 wheat, the finest kind of wheat in the world, for a small percentage of moisture that can be removed by throwing it through a fanning mill or spouting it, drying it.

Mr. CLARKE. That gets back, Mr. Steenerson, to the same question we raised there as to the practicability of the farmers themselves organizing.

Mr. STEENERSON. But that is another question. But there is no reason in the world why this committee should not proceed, because what we want is this relief before we harvest the next crop. We do not want to lose from 18 to 40 cents a bushel on that crop; we want this law by the time the next crop moves, unless the Department of Agriculture modifies the grades. The only reason the Secretary has not modified them, I believe, is because he has not been inclined to overrule the men that made these grades.

Mr. CLARKE. I think you have got a wonderfully sympathetic Secretary there now, and I do not think it would be in good taste for this committee to proceed or in any way prejudice anything that may come from the Secretary.

Mr. STEENERSON. I am not going on that theory at all. This bill has been reported and is on the calendar. It can be passed. The only reason why I asked to have these changes, these modifications put in the bill, was that it was a technical matter and it would be hard to explain on the floor.

Mr. TINCER. This bill would not be very valuable as reported. It would not affect but the one crop, would it?

Mr. HURD. The original bill would be out of effect August 1, 1922, Mr. Steenerson.

Mr. STEENERSON. Of course the bill has been pending a year. That should have been corrected. That was simply a mistake, leaving the year out.

Mr. HURD. I see you have extended this latter bill, 9668, to August 1, 1924.

Mr. STEENERSON. Well, I do not know how long it should be extended.

Mr. TINCHER. You and I have the same interests. Now, may I make you understand me? If we are going to fix wheat grades by legislation, I want to take care of my section of the country in the same law; if we are going to still have the work done in the department—it is a highly technical matter—then I want it all done there.

Mr. STEENERSON. Let me say to the gentleman that the reason why we took this up was because the spring wheat people were every year trying to get relief from the department; the winter wheat people had been satisfied.

Mr. TINCHER. No; they never were satisfied. There never has been a year but what I have been trying to get relief. I have probably had a little more luck at it than you have, from what you have said, because we have had some modifications.

Mr. STEENERSON. It is not an extraordinary thing, as gentlemen seem to think, to prescribe grades by statute. The grades in Canada, the first three grades, are statutory grades, and, moreover, they recognize there the fact that there are regions that are different and very different interests, so the statute there authorizes regional boards to fix them. They do not have the same grades in Manitoba and western Canada that they have in eastern Canada, because the conditions are different. So in Kansas the conditions are very much different than they are in the spring-wheat districts of the Northwestern States.

Mr. TINCHER. I have been hearing you Northwest fellows ever since you got that price fixed.

The CHAIRMAN. Will it be convenient for you to appear to-morrow morning? It is nearly 12 o'clock now.

Mr. HURD. Yes, sir.

The CHAIRMAN. How much time do you want to close the matter up?

Mr. TINCHER. We won't want very much time. I think an hour will do.

Mr. HURD. I think we can make our case in one hour, provided that there are not too many questions that you wish to ask us.

The CHAIRMAN. Are there others to come after you?

Mr. HURD. There are just two more gentlemen.

The CHAIRMAN. Very well; we will give you one hour to-morrow morning, beginning at 10 o'clock. The hearings will close after one hour to-morrow morning.

(Whereupon, at 12 o'clock meridian, the committee adjourned until 10 o'clock a. m., Wednesday, March 1, 1922.)

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., March 1, 1922.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

Present: Representatives Purnell, Voigt, Riddick, Tincher, Williams, Sinclair, Thompson, Gernerd, Clague, Clarke, Jacoway, Aswell, Jones, and Ten Eyck.

**STATEMENT OF MR. W. H. MILLS, REPRESENTING THE
WASHBURN-CROSBY CO., MINNEAPOLIS, MINN.**

Mr. MILLS. I am a grain buyer of the Washburn-Crosby Co., Minneapolis, and I am here representing the Minneapolis mills of the Washburn-Crosby Co.

As millers we hold it to be self-evident that since wheat is our raw material, our prosperity depends directly on the production of good wheat in the Northwest, and that this production in turn is dependent in the long run on the return in dollars and cents received by the wheat producer. Therefore any proposed change in the grading system must command our attention from the standpoint of the producer, since, if the proposed change is unsound economically and the producer is injured, we, too, as millers, are injured. I think there is no doubt about that. Our capital is all invested in mills and in machinery. The farmers' capital, on the other hand, is invested in land.

Now, if the farmer can not realize a return on his investment through wheat, he can switch to oats, corn, barley, or most anything else; and, if he must, why you can see where we would be. So I say our position on this thing is that we are going to look at it in a broad way—we must look at it from the best interests of the farmer—and what does this bill propose in the way of changes, and how do those changes affect the farmer?

This bill proposes a material lowering of the standards as compared with the existing grades. Of that there can be no question. Without discussing this in detail, I would call attention to the following: As compared with the existing grades, the minimum test weight of all numerical grades, excepting No. 1, is lowered from 1 to 3 pounds. The amount of rye admissible is raised 1 per cent in all grades excepting No. 4. Now by reason of being raised 1 per cent in grade No. 1—that is the very best grade of wheat—you go over 2 per cent of rye, and as a grain buyer I will state that 2 per cent of rye is not milling wheat.

Mr. CLARKE. Do you agree with that conclusion?

Mr. STEENERSON. No.

Mr. TINCHER. You do not mean wheat with 2 per cent of rye is not milling wheat?

Mr. MILLS. Yes, sir; wheat with 2 per cent of rye is not milling wheat, in my judgment. The flour made from it would not suit you; as a flour buyer it would not suit your wife, and it would not suit the bakers of this country as flour buyers.

Mr. SINCLAIR. That is not in harmony with the statements of other flour makers that have appeared before this committee. They have stated you can have, I believe, as high as 4 per cent without much appreciable difference in the quality of the flour.

Mr. MILLS. You understand I am giving you my opinion, and certainly we would not be spending money in advertising Gold Medal flour and then turn around and run the risk of putting 4 per cent of rye in it, because our product would not return anything on the money spent for advertising.

Mr. CLARKE. How much rye do you expect goes into the Gold Medal flour you are advertising?

Mr. MILLS. None; absolutely none.

Mr. TINCER. I think you would help it if you would put in 2 or 3 per cent; you might make it as good a flour as we have out in Kansas. [Laughter.]

Mr. CLARKE. I won't take your opinion as a baker.

Mr. MILLS. I am giving you my opinion as a flour miller of what would be satisfactory to the bakers. The third change I want to mention is the maximum amount of durum permitted is raised from 2 per cent in grade No. 1 to 5 per cent, and in grade No. 2 from 5 per cent to 10 per cent. Now, right here I submit durum is not bread wheat. The fourth change is that 100 per cent humpback wheat would now be admitted to the grade of No. 2 northern. That is the highest point humpback wheat has ever been raised to. In the old Minnesota grades it was provided it should not grade better than No. 3, because of inferior milling qualities.

These are all serious reductions in value, but at least they are known and definite quantities which the buyer in the future market can take into consideration in making his contract. But what shall be said of the proposition that a buyer in the future market may receive on his contract an unlimited amount of such adulterants as cockle, vetch, king-heads, barley, and speltz, or that the wheat that is to be tendered him shall have been subjected to spraying by a hose in order that he may pay a wheat price for all the water that the seller may give him. You may say that is fanciful, but I assure you it is not. That is exactly what this bill will permit the seller to do.

Mr. CLARKE. Has that ever been done up to this time?

Mr. MILLS. It has never been done; no, sir. We have never had any system of grades as proposed here. There is no limit to the amount of water and adulterants that can be put in.

Mr. SINCLAIR. Do you know of any practice, any distinct practice—you know just as they put in oats with the wheat?

Mr. MILLS. "All moisture in excess of 14.5 per cent shall be designated on the grade certificate, but shall not affect the grade." I submit right here now that any elevator man onto his job will immediately start taking the hose and loading all the water he can get into that wheat and make the grade buyer pay the price for it.

Mr. SINCLAIR. You would not pay it?

Mr. MILLS. That is just the point; therefore the grade is not worth the paper it is written on.

Mr. SINCLAIR. Then your criticism there falls down on that?

Mr. MILLS. Not at all, sir.

Mr. SINCLAIR. Would you say you can put any amount of water into wheat?

Mr. MILLS. You can put in as much as the wheat will absorb.

Mr. SINCLAIR. You can put in as much as the wheat will absorb as a mercantile or storage possibility.

Mr. MILLS. You can put in at least 20 per cent; will you grant that?

Mr. SINCLAIR. No, sir; not at all.

Mr. MILLS. Will you grant you can put in 17 per cent?

Mr. SINCLAIR. No.

Mr. MILLS. I have seen plenty of it.

Mr. JONES. You can not put in 17 per cent in bulk.

Mr. MILLS. No; not and keep it, and naturally you can not if you sell to the consumer. But what are the grades for? The grades are so that the buyer and seller at long distance—

Mr. JONES. But you are going to put on the certificate the amount of the moisture, and you could not sell it with 17 per cent of moisture in it.

Mr. MILLS. Granted. I am afraid you do not get the point.

Mr. SINCLAIR. You are figuring on a hypothetical condition.

Mr. MILLS. Not at all. Let me put it this way. I sell you 10,000 bushels of No. 1 dark northern wheat. You are the buyer. I give you wheat with 17 per cent of water. I can do that very, very readily. Would you be satisfied? I can do it under this bill. Why? Because it says it shall not affect the grade.

Mr. JONES. A man does not have to buy that kind of wheat.

Mr. TINCER. The bill says that it shall not affect the grade.

Mr. JONES. That is a mere technicality. Anybody knows, if he looks at that bill, that the grades are to be based under that bill on the intrinsic merit of the kernel, and anything that really affects the wheat is to be noted on the certificate. Anybody knows that you could not sell wheat, as a practical proposition, with 17 per cent of moisture noted on the certificate. No buyer would take it.

Mr. MILLS. You are selling a contract.

Mr. JONES. You could not sell it on contract.

Mr. MILLS. I could on paper; yes, sir. I agree to sell you 10,000 bushels of No. 1 dark northern wheat, and I give you 17 per cent of moisture, and what are you going to do about it? I have fulfilled my contract.

Mr. JONES. But you do not have to take it; you do not have to buy. A man who buys wheat on grade, he is not going to buy blindly on the grade. The certificate becomes part of the terms of the contract as well as the grade.

Mr. SINCLAIR. I think what you are trying to do under that statement, you are proposing to sell wheat under the present grading system and to deliver under this new bill.

Mr. MILLS. Not at all.

Mr. JONES. That is exactly what he is trying to do. The present system is built up under the present grading system. Now, we are intending to change the grading system, and you are talking about a contract under the present grading system, and trying to apply that to the new grades now proposed.

Mr. MILLS. I am sorry I can not agree with you.

Mr. JONES. According to what you say, then, there is no use in putting the amount of moisture on the certificate, because the buyer would have to take it regardless?

Mr. MILLS. He would have to take it anyway.

Mr. JONES. And therefore according to your statement, there would not be any use in stating the amount of moisture on the certificate?

Mr. TINCER. You are not responsible for that condition; the bill itself reads that way.

Mr. JONES. The bill requires the placing of the amount of moisture on the certificate. The reason that is done, and the reason for not making that part of the grades, is that under the present system they

have developed a plan of taking wheat that grades No. 1, in all other respects, and weighs 61 pounds, and because it has 3 per cent of moisture in it, grading it down to No. 5.

Mr. JONES. May I read this as a suggested amendment on this proposition:

All moisture in excess of 14 per cent shall be designated on the grade certificate and if over 14 per cent moisture the word "damp" shall be added and become a part of the grade.

You see what I mean. You would handle it just as you handle it here.

Mr. STEENERSON. That means the same thing.

Mr. MILLS. I beg your pardon; it does not.

Mr. STEENERSON. That is the Washburn-Crosby Co.'s proposition, but it is absolutely the same thing.

Mr. TINCER. One of them affects the grade and the other one puts it on the certificate.

Mr. JONES. That is to say, it affects the grade; but without specifying how it affects the grade it would not do any good. If you will make it one grade lower, if it is 17 per cent moisture, you will do some good.

Mr. TINCER. I think this bill, in its present form, would stick every wheat farmer in the hard-wheat section 25 cents a bushel, and I think you want an amendment to change it.

Mr. CLARKE. Just make a note of this, Mr. Chairman, that I am in agreement with Mr. Tincher for once.

Mr. JONES. That is almost enough to stop and have a celebration over it. [Laughter.] If you make arguments just simply to show it will affect the grade, it does not get you anywhere unless you show how it affects the grade. If you make an amendment to say it affects the grade because it becomes lower, because there is so much moisture, all right.

Mr. STEENERSON. I understand Mr. Mills's contention under the Washburn-Crosby bill is it still remains No. 1.

Mr. MILLS. Absolutely.

Mr. STEENERSON. Under the Washburn-Crosby amendment the wheat would remain No. 1, but the bill says it shall become a part of the grade. Now, that amounts to the same thing.

Mr. JONES. It amounts to the same thing unless you specify how it affects the grade.

Mr. CLARKE. Have you any objection to putting in "damp" or "tuft" there?

Mr. STEENERSON. It is a fanciful objection and, of course, they are buyers, and I want to concede everything I can to the buyer; but there is absolutely no difference between the Washburn-Crosby proposition and the proposition of my bill.

Mr. MILLS. With the minimum grade requirements so far below the requirements of the consuming buyer, the future market will be deprived of a great stabilizing factor-mill buying, and the result will be a depreciated price level. What do I mean by that? You gentlemen say you are not interested in the future market. I say you have to be interested in the future market, whether you will or not, for the simple reason that all the wheat of the Northwest, during the fall of the year, is offered in the country on the basis of Minneapolis

December, just as at this time of the year all of the wheat in the country is offered on the basis of Minneapolis May. I do not mean to say it pays the Minneapolis December price, less freight and handling, which is the price paid in the country; but I do mean to say as the future price fluctuates the price in the country fluctuates, and then as this bill reads at present, you are going to drive the miller out of the future market, so far as the taking of delivery is concerned. A man can not take delivery of wheat when he has not any idea what he is going to use.

Mr. TINCHER. Who else is there that is a legitimate buyer for future delivery except the miller, and, if you drive him out of the market, who have you to deal with?

Mr. MILLS. Practically no one, unless probably there is some buying of futures for export purposes. I think that answers your question. That is as far as I can go.

Now, it will be argued that a lower price level will mean increased premiums in the sample market. That is true. That is, the lower your future is, the chances are the higher spot wheat will go up in the future market. That is true. But premiums necessarily mean risk to the middleman, in this case the country elevator operator. To protect himself, he would be forced to buy on a much wider margin than would be the case were the price level high and the premium low.

Mr. JONES. The thing that has always bothered me about this bill—we had some rather extended hearings on it some time ago—is the fact that you have a low poundage on the low-test wheat, for No. 1. Would that affect in any way wheat that weighs 61, 62, or 63 pounds, and the market for it, that is also graded No. 1?

Mr. MILLS. It would in the country; it would not at the terminal.

Mr. JONES. It would not at the terminal?

Mr. MILLS. It would not at the terminal affect it, but in the country it would; yes. The man in the country selling wheat, the farmer, absolutely must sell not exactly on the basis of the poorest wheat that is admitted to the grade, but he must approximate it. For instance, last week I just had the pleasant news—I was coming down here when this thing occurred—I bought two cars of wheat to grade No. 1 dark northern. One was the poorest the grade would allow, and the other was a beautiful, choice car out in Montana. I paid 15 cents more for the Montana car than I did for the other one. I paid that, but do you suppose the farmer who raised it got that 15 cents more?

Mr. JONES. No; I would not think so at all.

Mr. MILLS. Of course he did not. It is no fault of the market system, because the elevator operator takes a chance, and he can not afford to buy high and sell low; he has to have a margin. Therefore, the factor which makes the price in the country is the poorest wheat admitted to the grades.

Mr. JONES. That naturally is true. Now, there is no doubt that the present system of grading of wheat that simply has an excess of moisture in it, or simply has a particular foreign matter in it, or wheat that just has one of those objectionable things, and grading down to the basis of wheat that has all of these objectionable things is wrong.

Mr. MILLS. Absolutely.

Mr. JONES. Some plan should be devised to correct that. However, what has always bothered me about this bill is the very point you are making now, about wheat that is of a much finer quality and yet it goes in as No. 1, and you therefore buy it all, of course, at the price which is always set by the lowest quality of that particular grade.

Mr. MILLS. Absolutely. As millers, we are vitally interested in having the price we pay for good wheat properly reflected back to the man who raised it. We would welcome the opportunity of being able to purchase more wheat from the country on contract, but for this to be accomplished we must have confidence in the value of the grade.

Even under the existing standards, there is to-day in the Minneapolis market a 15 cent range in the selling price of the best grade, No. 1, dark northern. If poorer wheat from lower grades—this is what I had in mind—is added to this grade, it is evident that the range in value would be still wider, with the result that no buyer could afford to purchase wheat without first seeing the sample. Do I make that clear? For instance, you have here your best wheat, at \$1.60, we will say, and you have here wheat at \$1.40 [illustrating]. If you reach down here [indicating], and raise the wheat up to this lower grade, you widen the range in value and therefore in selling price, do you not? Then the man out in the country who raises this top wheat, instead of having to sell it at the approximate basis here, has to sell it at the basis down here [indicating].

Mr. JONES. That is very true.

Mr. MILLS. This frequently penalizes the producer of wheat of high value, as he must, of necessity, sell in the country on a basis made largely by the poorest wheat admitted to the grade.

Mr. SINCLAIR. I was just wondering what limit of penalizing you are going to put on it. We are finding that very thing you are talking about obtains now.

Mr. MILLS. Yes, sir.

Mr. SINCLAIR. In a very serious manner. Last July there was testimony before this committee showing there was a difference as high, I believe, as 40 cents.

Mr. CLARKE. Forty-two cents.

Mr. MILLS. Yes; as high as 42 cents.

Mr. SINCLAIR. In a particular grade.

Mr. JONES. Yes, you are right.

Mr. SINCLAIR. Now, then, your remedy, from what you state, to correct that would be to make more grades, would it not?

Mr. MILLS. No, sir. Did you follow what I said? Here is the top and here is the bottom and here is the level [indicating]. If you reach down and put wheat up in here, you lower the whole level.

Mr. SINCLAIR. Yes.

Mr. MILLS. My solution is, say here is \$1.60 and here is \$1.40, to take off some on the poorer wheat, thereby raising the lower level and thereby assuring the man who raises the best wheat in this country a price more nearly according to what he sells in the terminal markets—in other words, stiffen the grades. The grades are too low now.

Mr. SINCLAIR. Then, to stiffen them, you would have to have more grades.

Mr. MILLS. No, sir. I would say this—I have started on the theory of discussing No. 1 dark northern, let us stick to it, if I may. Now, No. 1 dark northern, the requirements as to class means that it must have 75 per cent of dark; or, to put it the other way around, it may have 25 per cent of soft and starchy kernels. All right. I make this statement right now, as a mill buyer, that wheat that has 24 or 22 per cent of soft starchy kernels is not near as good wheat; it is hardly fair wheat. In other words, raise the minimum of dark from 75 to 85 or 90, and if you do, you will put more money in the pockets of the man who raises good wheat.

Mr. CLARKE. How would it affect the average man?

Mr. MILLS. In this class?

Mr. CLARKE. Yes.

Mr. MILLS. I do not think it would affect him at all. In fact, I think it would help him, too, because you would raise your whole price level if you did it. Other agricultural commodities and certainly most manufactured articles are marketed on the principle of having a standard—call it grade, label, or what you will—which connotes confidence in its value in the mind of the buyer. Why should an opposite theory apply to the standards employed in the marketing of wheat? I think that is self evident. Take, for instance, you go into a grocery store and you see the label "Beechnut." I am not interested in the Beechnut people in any way; I just think of it because "Beechnut" to me stands for quality. I would unhesitatingly, myself, pay the top price for anything with the Beechnut label on it. You can work out several other illustrations, but to get back to the agricultural commodities, if you will pardon a personal reference, I want to speak of the marketing of north coast apples. You take to-day, in the Minneapolis market, at this time of the year particularly, there are lots of various types and brands of apples from the north Pacific coast States. Now I know, in our family, we go down to the market and we buy on the basis of a label marked "Big Y," every time, and pay the top price, because we know we get the goods. Both the apples I speak of and the manufactured commodity I speak of are marketed on the principle of instilling confidence in the minds of the buyers, where there is not anything intrinsic in the wheat buying.

Mr. STEENERSON. Do you not realize there is a difference in the grades between apples and oranges, for instance, and wheat? You can not change the quality of the apples and the oranges by shipping them from one place to the other, whereas you ship a carload of wheat and it comes to the terminal elevators and is mixed with several others, and it becomes No. 1 when it was bought as No. 2. You could not do that with apples and oranges.

Mr. MILLS. Surely; but the only difference I see is that the apples and oranges are marketed to the consumer in the raw form, whereas the other is marketed in a manufactured form.

Mr. STEENERSON. Wheat is practically the only commodity that changes grade over night, that is, its quality, its market value, because you can have wheat that has one fault and mix it with wheat that has different faults.

Mr. MILLS. I am not arguing as to the details, now; I am arguing particular principles and high standards—whether you call them labels or no matter what you call them—against low standards.

Mr. TINCER. If the standards are such that a man can take a shipment of wheat that has faults and mix it with wheat that has no faults, and make it wheat on the market of a certain grade, then the fellow that is buying that wheat is going to pay the price of wheat that has the faults and not for the wheat that has not the faults. We are trying to prevent this mixture, so he is going to pay the price of the wheat that has not the faults and not for the wheat that has the faults.

Mr. STEENERSON. No; you can have four kinds of lots; you can have No. 3 wheat, graded for different reasons; one is graded for moisture, the other for foreign material, and the other for something else, and you can mix all those together and sell them for No. 1, all of them.

Mr. TINCER. I am in favor of bringing the northwestern grades up, if you can, without our fellows who get water having to pay for wheat.

Mr. MILLS. In conclusion, while the existing grades are not without defects, yet it is our judgment that the proposed bill, H. R. 9668, does not in any way remedy any one of these defects. On the contrary, it attempts to advance the price of the commodity by lowering its value, and is therefore fundamentally unsound. I think that is true.

Mr. CLARKE. How would you change the bill to meet your ideas?

Mr. MILLS. It is such a big subject I do not know where to start.

Mr. STEENERSON. One of the amendments proposed is in regard to the moisture and foreign materials. They (Washburn & Crosby) propose that all foreign material in wheat shall be classed as dockage, and all commercially inseparable dockage shall be designated on the grade certificate, and if over 1 per cent of commercially inseparable dockage, the words "excess foreign material" shall be added and become part of the grade.

Here is the other one:

All moisture in excess of 14 per cent shall be designated on the grade certificate, and if over 14 per cent moisture, the word "damp" shall be added and become a part of the grade.

Mr. MILLS. I have a copy of a bill which represents our ideas along the line I have spoken, which I would like to file with the committee, if the committee is interested.

The CHAIRMAN. Without objection, it will be incorporated in the record.

Mr. STEENERSON. There is one peculiarity about your bill; that bill does not say anything about rye in the mixture, does it?

Mr. MILLS. Certainly.

Mr. STEENERSON. I have looked it over and I can not find a word in it about rye.

Mr. MILLS. I am pretty sure it does; anyway, I am going to let it stand as it is.

Mr. STEENERSON. I think you admitted down in my office it was not in there.

Mr. MILLS. Not specifically; no; but commercially and as rye is described to-day in the Federal grades, it is just simply based on the definitions of the Federal grades—rye is described as a foreign material other than dockage.

Mr. STEENERSON. You describe it as a foreign material. It perhaps would be considered as foreign material. Then, if you had rye in it, it would go down, according as my bill provides, for the percentage of rye, and your bill does not mention rye at all. So that the fair construction of your bill would be to condemn the wheat and it could not have any grade at all, because it had rye in it.

Mr. MILLS. I do not think so; but I will let the bill stand as it is.

Mr. STEENERSON. You are criticizing my bill, so I thought I would criticize yours.

Mr. JONES. You have a suggested form of bill there?

Mr. MILLS. Yes, sir.

Mr. JONES. What do you grade No. 1 wheat?

Mr. MILLS. Fifty-nine pounds, I think, is the best wheat.

Mr. JONES. What distinction would you make, if any, in the wheat grades, for wheat that tested 63 pounds?

Mr. MILLS. You mean as far as buying in the country is concerned?

Mr. JONES. Yes.

Mr. MILLS. Or do you mean buying in the terminal market?

Mr. JONES. Buying in the country.

Mr. MILLS. As far as buying in the country is concerned, you understand, any system of grades, I do not care what it is, can not cover all of the different varieties of wheat. We have covered that by raising test wheat to 59 pounds, acting on the whole principle of raising standards rather than lowering them.

Mr. JONES. Your bill, in that regard, is preferable to the pending bill, and still it seems to me you do not go high enough to make the distinction in some of the tests of wheat.

Mr. MILLS. You can not go too high to suit me; go just as high as you want to.

Mr. JONES. For instance, I saw in my section of the country wheat from 30 different farms, and the lowest test weight of any one of those growers of wheat was 63½ pounds and the highest was 65. Of course that is unusually high; but we frequently buy wheat there that tests 61 and 62 pounds.

Mr. TINCHER. You would not be in favor of putting 60-pound durum wheat on an equal basis?

Mr. JONES. Not at all; but I am in favor, if the bill can be worked out, of giving them a chance so they can not be eunched out of 40 to 50 cents a bushel and mixing the wheat with a 58-pound wheat that has a lot of foreign matter in it. That is a phase of the bill I would like to see worked out properly in some way; but I am not in favor of the feature of the bill which would rank 58-pound wheat with 63-pound wheat, never have been, and so stated last summer.

Mr. STEENERSON. You understand there are different varieties of wheat. The hard wheat grown in North Dakota, South Dakota, and northwestern Minnesota never weighs that much. It is in the nature of the wheat. You would never get any No. 1 at all if you had it over 60 pounds.

Mr. JONES. If there is any way of making it distinctive—you can call it No. 1-A or you can call it No. 1-AA—but there ought to be a distinction between 58-pound wheat and 63-pound wheat.

Mr. TINCHER. It would make more flour to the bushel.

Mr. STEENERSON. You can never get an average crop that will weigh more than 58 pounds.

Mr. JONES. You can not in your section of the country, but you can buy 63-pound wheat down in my section, that is 57-pound wheat in your section.

Mr. STEENERSON. Yours is soft wheat and ours is hard. It is a different variety of wheat.

Mr. JONES. You ought to have this other feature corrected. Do you contend the 58-pound wheat in your section should be graded No. 1 and then 63-pound wheat in my section should be graded only No. 1?

Mr. STEENERSON. Yes. The man that buys a bushel gets 60 pounds of either of them; but the quality of yours is not any better because it weighs 63 pounds.

Mr. CLARKE. Mr. Jones's wheat makes more flour. His is winter wheat and yours is spring wheat.

Mr. JONES. Mine is practically clean. I was looking at the samples you had last summer, and I think in my section it would have gone to the straw stack.

Mr. STEENERSON. Flour is made out of it.

The CHAIRMAN. I would like to ask you about this dockage. I call your attention to Mr. Jacobson's statement, found at page 59, that—

From September 1, 1917, to September 1, 1918, the Atkinson Mills shipped out six carloads of mill oats—

Gained by way of dockage—

the Century Mill shipped out eight carloads of mill oats in that same period of time. The consolidated, A, shipped out 10 carloads of mill oats. The Pillsbury A shipped out 115 carloads of mill oats, and the Washburn-Crosby mill shipped out 6 carloads of mill oats and 18 carloads of wild peas—

And so on.

All of that was dockage?

Mr. MILLS. No.

The CHAIRMAN. The grower did not get pay for one pound of that except where it was sold on sample.

Mr. MILLS. You got the distinction between wild peas in the present grades and dockage.

The CHAIRMAN. Let us not discuss wild peas; let us take dockage. Here is 115 carloads of mill oats shipped out by one concern, dockage, for which the grower never got one cent except where he sold on sample.

Mr. MILLS. My answer to that is why don't the grower keep it on the farm; we do not want it. We would increase the capacity of our mill if we did not have any.

The CHAIRMAN. The question is why isn't the grower given the benefit of it except where it is sold on sample.

Mr. MILLS. The certificates do state the dockage.

The CHAIRMAN. The certificates do not state the kind of dockage in pounds.

Mr. MILLS. I think on your wild-pea proposition it is a little different, but mill oats are classed as dockage under the Federal grades. They are known as dockage and the certificates so state them. Wild peas are different. Wild peas are foreign material other than dockage. I am talking now about the existing Federal grades.

The CHAIRMAN. You contend the certificate states the percentage of milling oats?

Mr. STEENERSON. It always states the amount of dockage.

Mr. SINCLAIR. It does not state whether it is oats, seed, or other kind of dockage.

Mr. STEENERSON. But if it is inseparable material, then you can not tell what it is.

Mr. TINCER. Is there anything to show what that 24 carloads brought?

Mr. MILLS. I could not tell you; but I will say this, that the gentleman who inserted that forgot to add that the Washburn-Crosby Co. at that time was not a buyer of wheat. You will notice that is from September 1, 1917, to September 1, 1918. That was at the time of the Food Administration. Now, there are very few mills in the Northwest that are equipped to clean wild peas out of wheat. We happen to be one of them that is equipped to clean wild peas out of wheat. We took a considerably larger proportion of wheat mixed with wild peas during that period than was our share or was our right. We did it simply as a patriotic duty. We do not want the stuff.

Mr. PURNELL. What did you get for the wild peas after you took them out of the wheat?

Mr. MILLS. To-day they are worth virtually nothing. At that time they were.

The CHAIRMAN. Do the certificates note specifically the kind and quantity of dockage?

Mr. MILLS. No; not the kind—the quantity.

The CHAIRMAN. That is the important part. As I stated a minute ago, the buyer is entitled to know what he buys. That is what this bill proposes to do, to state specifically the kind and quantity, then the outside buyer would have the knowledge. If it contains oats, or whatever it may be, he would have the same knowledge as if he had a buyer's representative on the ground.

Mr. MILLS. This bill classes wild peas, cockle, and king-heads, which can not be cleaned out by the ordinary country machinery, and puts them in the same class as commercially inseparable dockage.

The CHAIRMAN. What is your objection to the bill stating specifically the kind and quantity.

Mr. MILLS. Just this; you are a buyer; I am a seller. I sell you 10,000 bushels of wheat. We will put it this way. I am out in Montana, I live in Montana, and never saw wild peas or king-heads. I sell you No. 1 dark northern, 10,000 bushels of wheat. I run that into Minneapolis. I get hold of all the cockle, king-heads, and peas, and all the others, and stick them in there, and tender that wheat to you on that contract. Is that a fair tender? Yes; it is a proper tender under this bill.

The CHAIRMAN. It is up to you to make a proper contract.

Mr. MILLS. What are the grades for? I submit this as a grain buyer, gentlemen, that you might just as well legislate the grades out of existence.

The CHAIRMAN. Then I call your attention to page 86. No. 1 sold as low as \$1.62, and No. 2 sold as high as \$1.89. That is a difference of 27 cents, No. 1 wheat selling 27 cents lower than No. 2 wheat.

Mr. MILLS. Yes.

The CHAIRMAN. Now of what value are those certificates of grades?

Mr. MILLS. That is just the point I thought I covered a moment ago. I think there are defects in the grades. I show four of them.

The CHAIRMAN. It is all in the shrinkage.

Mr. MILLS. No, sir; it is in the value to the miller of the different types of wheat.

The CHAIRMAN. On page 106, \$4.43 was paid for moisture and the shipper was penalized \$60. Deducting the \$4.43 from \$60 he lost \$55.68. Do you believe that a fair practice?

Mr. MILLS. You mean the man in the country?

The CHAIRMAN. No; that is the fault of the grading.

Mr. MILLS. I just explained, at least I thought I did, that I think myself that some criticism could be done away with if you treated tuft wheat, wet wheat, wheat with excess moisture, just as the Federal grades now treat smutty wheat; in other words, just make a separate classification. Do the way the Canadians do; I think they have a solution.

The CHAIRMAN. The grading is one thing; the dockage is another. I am talking about dockage.

Mr. MILLS. I thought you were talking about excess moisture. May I ask you to put the question again?

The CHAIRMAN. Here is the proposition: All foreign material in wheat, except rye, shall be classed as dockage, and all dockage shall be designated on the grade certificate, specifying the kind and quantity, but it shall not affect the grade.

Mr. MILLS. That does not protect the innocent buyer against adulteration of wild peas, kingheads, and cockle, and, incidentally, I may say they are purely a local proposition.

Mr. SINCLAIR. Why does it not protect the innocent buyer, when it says the certificate shall specify the kind and quantity?

Mr. MILLS. Because I sell you wheat from a distance and I have the privilege of throwing all that stuff in I have described to you and will fulfill my contract under the law.

Mr. SINCLAIR. You have to specify the kind and quantity under the law.

Mr. MILLS. You as the buyer, would have to say this: I will buy from you 10,000 bushels of No. 1 dark Northern Wheat and you, the seller, shall not put in more than one-fourth of 1 per cent cockle, you shall not put in more than one-fourth of 1 per cent of wild peas, and you shall not put in more than one-fourth of 1 per cent of kingheads, 14.5 per cent of moisture, and so on; in other words, you would have to trade; the grades would have to be added to by private contract.

Mr. JONES. Just in that connection, how would that amendment, in which you ask the word "tuft" to be written in, cure the situation?

Mr. MILLS. It would make a different grade; in other words, it would be No. 1 dark northern, and No. 1 dark northern damp—two separate and distinct grades.

Mr. JONES. If you would make it a distinct grade, I do not understand you to say that; you simply state it would affect the grade; you do not say it would make an additional grade. I thought you were leaving the grades as they are and writing it on the certificate.

Mr. MILLS. The bill now says "and shall not affect the grade."

In other words, there is no limit on the moisture in No. 1 dark. I say it shall affect the grade.

Mr. JONES. You say to make a distinct grade?

Mr. MILLS. Absolutely.

Mr. JONES. I was asking the question awhile ago and suggesting you would have to specify in what way it would affect the grade, and I see you plan to do so by making another specific grade. It would be the same thing.

Mr. STEENERSON. The intention of those words, "not affect the grade," simply means it shall be designated No. 1 if it is No. 1.

Mr. MILLS. I think you are right in that, but the phraseology absolutely nullifies that.

Mr. STEENERSON. The definition you give those words affects the bill differently from what they are intended to.

Mr. MILLS. Don't you think I am right?

Mr. STEENERSON. If the buyers are all as fertile in their imagination as you are. [Laughter.]

Mr. MILLS. That is all right. I am saying without any egotism that I spend a good deal of money in the course of a year and I can not buy one bushel under those grades.

Mr. STEENERSON. I am willing to concede the Canadian rule of marking it "damp," or "15 per cent moisture," or "tuff" 15 per cent, is perfectly satisfactory so far as I am concerned.

Mr. MILLS. Then we will accomplish something.

Mr. STEENERSON. You claim that affects the grade. I say it is still No. 1, but No. 1 damp.

Mr. TINCHER. Would No. 1 damp then be tendered on No. 1?

Mr. MILLS. No; absolutely not.

Mr. TINCHER. It makes a different grade, then?

The CHAIRMAN. If the certificate notes exactly what it is, the moisture and foreign material, you have that knowledge before you and the country buyer would have exactly the same information you have in operating on the exchange. You buy practically on samples?

Mr. MILLS. Yes, sir.,

The CHAIRMAN. You are not paying any attention to the grades whatever?

Mr. MILLS. That is true.

The CHAIRMAN. If you are an expert buyer and understand your business, you simply buy for what it is; you examine it.

Mr. MILLS. That is true.

The CHAIRMAN. The gentleman in the country who is buying on grades has not the same opportunity you have; he has no knowledge of the character or value of the dockage. All he has is the certificate as to the grade, and it may be worth 25 to 27 cents less or more than is indicated in the grade?

Mr. MILLS. Surely.

The CHAIRMAN. Now, then, you are at an advantage?

Mr. MILLS. Certainly. And what does the man in the country do? He buys on just as wide a margin as he can in order to protect himself.

The CHAIRMAN. I am speaking of the terminal buyer. The buyer in the terminal market has an advantage of 27 cents over one outside.

Mr. MILLS. Mr. Chairman, he does not.

The CHAIRMAN. He absolutely has, according to this. You have an opportunity of examining the grain; you know exactly what it is. As I stated a minute ago, you are buying on samples. You pay no attention to these grades. They are of no value, because the testimony is that grade No. 2 is worth more than grade No. 1. All he has is just his certificate.

Mr. MILLS. He has not any certificate. He has just his own judgment, that is all.

The CHAIRMAN. The own judgment of whom?

Mr. MILLS. The man in the country buying from the farmer. I think that is what we are discussing.

The CHAIRMAN. I am discussing this dockage; that is practically the only thing I am interested in, and I am inquiring now about this dockage. I do not believe it is fair to penalize those people \$50 to \$60 a car.

Mr. MILLS. I will agree with that in principle.

The CHAIRMAN. If there is any justification for it, I would like to have it.

Mr. MILLS. No fair-minded man will say the car of grain that sells at 10 cents discount on the terminal market shall be bought in the country at 40 to 50 cents discount. No fair-minded man will say that.

The CHAIRMAN. That is why we are amending this bill, to protect them against that loss.

Mr. MILLS. Yes; but do not make your cure worse than the disease, because no buyer would have any confidence at all in any of your grades under this proposed bill. In fact, I venture to say there would not be any grain bought on grades.

The CHAIRMAN. The certificate would indicate moisture, 15 or 10 per cent, or whatever it might be, and he would have that information. The object of the certificate is to convey that information to the buyer. Under this bill he would have the certificate before him reading this way—No. 1 wheat; tested so much; so many pounds of wild oats, a certain percentage of moisture. He would have the same information the buyer on the exchange had. Now he is at a disadvantage; he is absolutely in the dark unless the certificate notes the dockage.

Mr. MILLS. I am afraid either I do not understand you, or you do not understand me. I am assuming we are talking about the country buyer.

The CHAIRMAN. I am talking about this 115 carloads of dockage which the shipper got no pay for.

Mr. MILLS. No.

The CHAIRMAN. Now why should that practice continue? If sales are made on samples and the samples have nothing to do with the grades, it seems to me under this system that the grading system is of no value whatever.

Mr. MILLS. I would not say that.

The CHAIRMAN. It has very little, if any.

Mr. MILLS. No, sir; I think the present grades, while they have defects, are pretty fair. They could be improved and they could be improved a good deal. We learn by experience.

The CHAIRMAN. A No. 2 grade is supposed to be of less value than No. 1, and yet it sells for 25 cents a bushel higher than No. 1. Can you tell me of what value that certificate is?

Mr. MILLS. That is a perfectly valid criticism. I think I covered that awhile ago by stating if you revised the grades you ought to make the grades fuller.

The CHAIRMAN. That is grading; that is a different thing. I am talking about dockage. Why penalize the shipper 115 carloads? Just explain that and I am through. It has never been clear to me why that is done.

Mr. MILLS. Who do you think is penalized there?

The CHAIRMAN. I think the grower is, the one who did not get any benefit of it—the farmer.

Mr. MILLS. As a buyer, I say we do not want the stuff; let the grower keep it.

The CHAIRMAN. You are a miller and you want the wheat just as bad as he wants to dispose of it.

Mr. MILLS. No, sir; our capacity in the mill is worth more money than the oats we separate out.

The CHAIRMAN. The miller has the equipment to separate it, and I think he ought to separate it and pay for the dockage.

Mr. PURNELL. Does it cost you as much or more to take this foreign substance out of the 115 carloads as you get for it?

Mr. MILLS. In the shape of mill oats?

Mr. PURNELL. Yes.

Mr. MILLS. No, I do not suppose it does.

Mr. PURNELL. What is the difference?

Mr. MILLS. I do not know what mill oats are worth to-day, but they have not been worth much of anything this year.

Mr. PURNELL. Is there any profit on peas?

Mr. MILLS. Profit on peas—no, sir.

The CHAIRMAN. It is not a question of profit; it is a question of right and wrong. The question is, Is the man buying that carload of grain entitled to know what is in that car?

Mr. MILLS. Surely, he is.

The CHAIRMAN. He does not, under this system; he does not know the kind and quantity of dockage, and that is what this provides for. What is your objection to that?

Mr. MILLS. You refer to this, that all foreign material in wheat shall be classed as dockage and the certificate shall state the kind and quantity thereof, but that it shall not affect the grade. That will permit a contract; we will say, for 10,000 bushels of No. 1 dark northern wheat to be filled by an unlimited amount of adulterants in the wheat which can not readily be cleaned in the ordinary commercial practice, adulterants such as wild peas, king heads, and so forth. That will be my answer, sir.

The CHAIRMAN. You admit it is No. 1 wheat. The adulteration does not change it; it is No. 1 wheat all the time, just the same as a gold dollar is a gold dollar—you can not make a silver dollar out of a gold dollar except by exchanging. It is No. 1 wheat all the time. Now, what we are discussing is what is to be thrown out, the dockage; what are you going to do with that?

Mr. MILLS. All right, sir. I, as a mill buyer, do not want these wild peas, kingheads, and other stuff which is now classed as foreign substance. I won't buy.

The CHAIRMAN. You have the certificate before you.

Mr. MILLS. All right; then I will buy everything on sample and won't buy anything on grade. And, if we do that, there will be a wider margin between what we pay for grain in the terminal market and what the producer gets for it than there is to-day.

The CHAIRMAN. Now, then, a system that penalizes a man \$55 a car, don't you think that could be improved upon?

Mr. MILLS. Yes; I think it could, and I have submitted an amendment here that I think will do it.

The CHAIRMAN. As to dockage?

Mr. MILLS. Yes, sir.

The CHAIRMAN. What do you propose to do with the dockage?

Mr. MILLS. To class it; I have not got it in here as dockage, I define it as it is now defined in the Federal grades—but not what you would define it—as foreign matter other than dockage. On excess foreign material, to make a new grade. For No. 1 dark northern specify, we will say, the mill, oats, and fowl seeds; and, in addition to that, add a grade for excess foreign material—"No. 1 dark northern, seedy," or anything else. Have it that way as specifying the content.

The CHAIRMAN. What about designating it by kind and quantity?

Mr. MILLS. That is perfectly all right. The crux of that thing is this, "but shall not affect the grade." I say it should affect the grade.

The CHAIRMAN. Then you are in favor of lines 11, 12, 13, and 14, and striking out "but shall not affect the grade?"

Mr. MILLS. Make it "and shall affect the grade," and then go on and add a new grade for it, a good deal on exactly the same principle as you suggest.

The CHAIRMAN. But you have no objection to lines 12, 13, and part of 14, that all foreign material in wheat, except rye, shall be classed as dockage?

Mr. MILLS. That is all right in principle.

The CHAIRMAN. And all dockage shall be specified as to kind and quantity?

Mr. MILLS. No; I have no objection to that.

The CHAIRMAN. Then you would insert the word "and"?

Mr. CLARKE. And shall affect the grade.

Mr. STEENERSON. When you specify the kind and quantity, that is all the buyer needs to know, is it not?

Mr. MILLS. No, sir.

Mr. STEENERSON. That affects the grade in the mind of the buyer. Anybody knows No. 1 wheat's qualifications, and it is foolish to contend you must say "it affects the grade" or "it does not affect the grade."*

Mr. MILLS. I sell you 5,000 bushels of wheat and I can give you all the cockle, all the peas, and all the king-heads I can pick up for nothing and just pass it in to you.

Mr. STEENERSON. But that is not right.

Mr. MILLS. That is in the rules of the game and your bill provides for it.

Mr. RICKETTS. I was interested in your suggestion to protect the raisers of the best wheat.

Mr. MILLS. Yes, sir.

Mr. RICKETTS. I am in sympathy with that; I think it is necessary to protect the Montana raisers of wheat.

Mr. MILLS. I am absolutely positive of it.

Mr. RIDDICK. I think the suggestion you made of an additional grade, to include "moist" or "tuft," is good; but do you not think that by making still other grades the raisers all along the line would be protected; in other words, have the grade more nearly tell what the grain is?

Mr. MILLS. Yes. If you revise them upwards, it will have a tendency to raise the whole price level; if you revise downwards, you will depreciate the whole thing. You can not have too many grades and have a system that is not cumbersome; I think there is something in that.

Mr. RIDDICK. Do you not think several more grades, three or four more, would protect the grower of wheat when he comes to sell at the country elevator, and that he would come nearer to getting what the wheat was really worth?

Mr. MILLS. Anything you can do to get for wheat what it is worth, I am in sympathy with; but as to any additional changes in grades, more than I have suggested, I have nothing to offer.

Mr. RIDDICK. It seems to me your suggestion as to tuff wheat is good. That makes another grade. It seems to me another grade could be put in between what we call No. 2 and No. 1, and have an intermediary grade all the way through.

Mr. SINCLAIR. His whole discussion is really based on his terminal-elevator experience, and does not cover the practical experience of the farmer at the country elevator at all. As a matter of fact, the country buyer runs it all into the same bin, nearly, or into three bins at the most, and he has 8 or 10 different grades of grain. He runs it all into three bins at the most, and it all goes in that way to the terminal elevator. That is the fellow we are trying to help—the fellow who ships right to the country elevator.

Mr. RIDDICK. That is true. The man who buys from the farmer would be willing to build one or two extra bins and therefore to pay a little better price to the man who brings the grain in in his wagon.

Mr. SINCLAIR. That is the one we want to help.

The CHAIRMAN. The buyers who buy on the exchange, buy on sample. It matters not to him what the law is as far as the dockage is concerned. He sees it and knows what he is buying; but the one who has not seen it, the one who buys on the certificate, has no knowledge of what the foreign matter is.

Mr. MILLS. That is true.

The CHAIRMAN. You operate on the exchange?

Mr. MILLS. I do not get your point.

The CHAIRMAN. You buy in competition with everybody else?

Mr. MILLS. Absolutely.

The CHAIRMAN. You pay every cent it is worth; it matters not to you whether it is noted on the certificate or not.

Mr. MILLS. Absolutely.

The CHAIRMAN. But the buyer on the outside is at a disadvantage, because he does not know what he is getting.

Mr. MILLS. Mr. Shanahan, who is to follow me, is an outside buyer and he is posted along the line you speak of, and I think it would be well if you would let him speak to that.

(The suggested bill submitted by Mr. Mills is as follows:)

AMENDMENTS SUGGESTED TO H. R. 9668 IN AMENDED FORM.

A BILL Prescribing standards and grades for spring wheat.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the grain standards and grades for spring wheat heretofore fixed, established, and promulgated by the Secretary of Agriculture, under authority of the United States grain standards act, and now in force, are hereby changed and modified so that that part of the regulations relating to spring wheat shall read as follows:

CLASS I. HARD RED SPRING.

This class shall include all varieties of hard red spring wheat or wheats. This class shall be divided into three subclasses, as follows: Subclass (a) and subclass (b) and subclass (c).

Subclass (a)—Dark northern spring: This subclass shall include wheat of the class hard red spring, containing less than 10 per centum total of yellow or mottled kernels. This subclass shall not include more than 5 per centum of wheat of the variety Humpback.

Subclass (b)—Northern spring: This subclass shall include wheat of the class hard red spring containing more than 10 per centum total yellow or mottled kernels and less than 50 per centum total of yellow or mottled kernels. This subclass shall not include more than 5 per centum of wheat of the variety Humpback.

Subclass (c)—This subclass shall include wheat of the class hard red spring consisting of more than 50 per centum total of yellow or mottled kernels. The subclass shall also include wheat of the class hard red spring consisting of more than 10 per centum of the variety Humpback.

All foreign material in wheat shall be classed as dockage and all commercially inseparable dockage shall be designated on the grade certificate, and if over 1 per centum of commercially inseparable dockage, the words "excess foreign material" shall be added and become part of the grade.

All moisture in excess of 14 per centum shall be designated on the grade certificate and if over 14 per centum moisture the word "damp" shall be added and become a part of the grade.

The minimum requirements for all grades shall be as follows:

| Grade No. | Minimum test weight per bushel. | | Minimum limits of— | | | |
|-----------|---------------------------------|---------|--------------------|---------------|---|-----------|
| | | | Damaged kernels. | | Wheat of other classes—common wheat, white club, durum, red winter, singly or combined. | |
| | Hard red spring. | Durum. | Total. | Heat damaged. | Durum, ¹ club, or white wheat. | Total. |
| | Pounds. | Pounds. | Per cent. | Per cent. | Per cent. | Per cent. |
| 1..... | 59 | 60 | 2 | 0.1 | 2.5 | 5 |
| 2..... | 57 | 58 | 4 | .2 | 2.5 | 5 |
| 3..... | 55 | 56 | 7 | .5 | 2.5 | 5 |
| 4..... | 53 | 54 | 10 | 1 | 2.5 | 5 |
| 5..... | 50 | 51 | 10 | 1 | 2.5 | 5 |

¹ For durum grades eliminate word "durum" in maximum per cent of wheat of other classes given above.

The above requirements as to weight and damaged to apply to amber durum and durum subclasses also.

CLASS II, DURUM.

This class shall include all varieties of durum wheat and may include not more than 10 per centum of other wheat or wheats. This class shall be divided into three subclasses, as follows: Subclass (a), subclass (b), and subclass (c).

Subclass (a)—Amber durum: This subclass shall include wheat of the class durum consisting of 90 per centum or more of hard and vitreous kernels of amber color. This subclass shall not include more than 2.5 per centum of durum kernels of distinctively red color.

Subclass (b)—Durum: This subclass shall include wheat of the class durum consisting of less than 90 per centum and more than 50 per centum of hard and vitreous kernels of amber color. This subclass shall not include more than 5 per centum of durum kernels of a distinctly red color.

Subclass (c)—Red durum: This subclass shall include wheat of the class durum, consisting of more than 5 per centum of the variety of red durum or less than 50 per centum of hard and vitreous kernels of amber color.

Sample grade shall be wheat which does not come within the requirements of any of the grades from No. 1 to No. 5, inclusive, or which has any commercially objectionable foreign odor except of smut, garlic, or wild onions, or is very sour, or is heating, hot, infested with live weevils or other insects injurious to stored grain, or is otherwise of distinctly low quality, or contains small, inseparable stones or cinders.

The wheat in grades Nos. 1 to 5, inclusive, shall be cool and sweet.

Wheat which contains more than 14 per centum of moisture shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it did not contain such excess moisture, except that on all such grades there shall be added to and made a part of the grade designation, preceding the statement of dockage, if any, the word "Damp," stating also the percentage of moisture.

Wheat which contains a total of more than 1 per centum of foreign material other than dockage or more than one-half of 1 per centum of foreign material other than either dockage or cereal grains shall be graded and designated according to the grade requirements of the standard applicable to such wheat if it did not contain such excess foreign material, except that on all such grades there shall be added to and made a part of the grade designation, preceding the statement of dockage, if any, the words "Excessive foreign material" and stating also the percentage of excess foreign material.

That the general rules and definitions applicable to all classes of wheat heretofore promulgated by the Secretary of Agriculture and not inconsistent with the provisions of this act shall remain in force until changed or modified by the Secretary of Agriculture, pursuant to the United States grain standards act.

SEC. 2. That the standards and grades prescribed in this act shall take effect thirty days after its passage, and the Secretary shall, as soon as may be, give notice thereof.

The Secretary of Agriculture shall have authority, after a hearing, to alter or modify from time to time said standards or grades whenever the interests of agriculture may, in his opinion, so require: *Provided, however,* That the grades and standards prescribed in this act shall not be altered or modified so as to take effect before August 1, 1922.

In promulgating the alterations or modifications of the standards and grades herein prescribed, the Secretary shall specify the date or dates when the same shall become effective, and shall give public notice not less than ninety days in advance of such date or dates by such means as he may deem proper.

**STATEMENT OF MR. JOHN D. SHANAHAN, BUFFALO, N. Y.,
REPRESENTING THE NIAGARA FALLS MILLING CO.**

Mr. SHANAHAN. Mr. Chairman, I am here at the request of the Millers' National Federation. Before proceeding with my testimony I would like to make a statement which clears up what may be a vital point in the understanding of my status in relation to this question.

In April, I think, last year, we had a hearing before the Secretary of Agriculture, in which I made the statement, among other things, that in effect I had developed the principles upon which these grain grades were written. I understand that that has been interpreted by my good friend Mr. Steenerson to mean that I said I had written the grades. I never made such a statement and never intended to make

such a statement. As a matter of fact, I have been in the milling business but two years. I spent 20 years in Buffalo as a grain inspector, worked up from the bottom, from carrying samples and opening car doors and that sort of thing, and the last 8 years of those 20 I was chief grain inspector.

I had what might have been called some advanced ideas in the grading of grain which attracted the attention of Mr. Wilson, who was then the Secretary of Agriculture, and he invited me to come down to the department and develop them. I spent four years down here, from 1906 to 1910. When I thought the foundation had been laid with sufficient soundness to leave it to the experts and scientists of the department to develop I left the department in 1910, and, if you will remember, these grades were not promulgated until 1917. There was quite a discrepancy in time there. And while I did say there were no apologies to be made for the grades, I had nothing to do with writing them, but they were built upon principles which I developed.

I want to say further that I have always believed and I believe still, with all the strength I have got in me, that the higher the grades you make in grain the better the price that the producer will get for the grains and the more easily they will be marketed and the better prices they will bring in the markets of the world. [Reading:]

In Report No. 357, dated August 19, 1921, made by your honorable committee on H. R. 7401 recommending its passage, the following paragraph from an article on standardization by Dr. T. N. Carver is quoted:

"The economy involved in transferring coined money rather than uncoined metal is apparent. Coining the money merely enables it to pass from hand to hand without the labor of inspection; that is, without weighing it to determine its quantity and without testing to determine its quality. It 'sells,' if we may speak of selling money, on grade and reputation rather than on inspection. It is the most salable of all commodities, and the fact that it is so standardized as to make inspection unnecessary on the part of the 'buyer' has a great deal to do with giving it its superior stability. By the same process of standardization any other commodity may approach gold coin in salability, though it may not quite reach it. At least it is safe to say that whenever it can be sold entirely on grade and reputation, and absolutely without inspection, its salability will be enormously increased.

"Analyzed: The statement contained in the before-quoted paragraph is manifestly a plea for the standardization of commodities on a gold (money) basis, and a statement that upon such gold money basis of standardization only can other commodities approach gold coin in stability and salability 'on grade and reputation.'"

The present writer of this statement agreed entirely with this premise as being fundamentally sound economics, but the tendency in standardizing wheat, and more specially spring wheat, has not been toward a gold-money basis but toward standardization on a basis of the baser metals, if not toward that of printing-press rubles. The advocates of this anything but constructive process seem to ignore entirely the fact that commodities are bought and sold the world over as nearly as may be on a gold money basis and that commodities which are standardized on a lesser basis can realize only their relative proportion of a gold value. These relative proportions may vary locally in sympathy with supply and demand, but in cases of surpluses (over local or even national needs) thrown on the world's markets these proportionate values, like water, quickly find their relative levels.

Are spring wheat standards and grades based on their gold-coin equivalents? Emphatically no. Summarized, the history of wheat standardization by the Federal Government is this: The Department of Agriculture, after spending great sums of money and from six to eleven years of time in investigation and study of the subject in all of its ramifications, through its scientists and experts, formulated standards and grades for spring wheat which embodied mostly the specifications then in force (for publication at least) in the laws, rules, and regulations bearing upon wheat grading by the State of Minnesota. The Federal standards proposed means and methods for making the grading factors definite and ascertainable. These standards approached

as nearly as was thought practicable at the time to a gold-money basis of standardization for spring wheat.

Public hearings on the proposed grades held in various sections of the wheat-producing territory developed a very bitter opposition to Federal standards and interference with Minnesota grain-grading operations. Criticism from this source of the factor requirements in the spring-wheat grades caused the department's experts, against their best judgment and convictions, to give way in some of the grade requirements. This was the first destructive as against constructive change made in the wheat grades, removing them a little farther from a gold-money basis of standardization. Two other changes have been made in spring wheat since, both at the behest of the same influence and both destructive in the same sense and even to a greater degree.

What is the relation of the spring-wheat standards at present in use to a gold-money basis? Let us try to get some indication. On page 2 of the before-mentioned report are two tables; one shows differences in price of sales of various grades of spring wheat on the Minneapolis Exchange, June 15, 16, 17, and 18, 1921, and the other shows that the Federal grades put wheat of widely different values in the same grade.

With regard to the second table, the showing is no different in the case of the Federal grades than it was in the case of the Minnesota grades before them. This is due largely to factors of value not taken into consideration as yet in any system for grading and to a lesser degree to overlapping factors of grading that scientists and experts have not yet found a way to reconcile. These are factors that must be considered and assimilated constructively and can not be remedied in the way the bill before you proposes to do it.

Official closing prices for cash wheat on the Minneapolis Exchange, June 15, 16, 17, and 18, 1921.

| Date. | Grade. | Close. | Range. |
|--------------|---------------------------------|------------------------------------|--------|
| June 15..... | No. 1 dark northern spring..... | 153 ¹ -189 ¹ | 36 |
| Do..... | No. 2 dark northern spring..... | 149 ¹ -161 ¹ | 12 |
| Do..... | No. 3 dark northern spring..... | 136 ¹ -151 ¹ | 15 |
| June 16..... | No. 1 dark northern spring..... | 151 ¹ -187 ¹ | 36 |
| Do..... | No. 2 dark northern spring..... | 147 ¹ -159 ¹ | 12 |
| Do..... | No. 3 dark northern spring..... | 134 ¹ -149 ¹ | 15 |
| June 17..... | No. 1 dark northern spring..... | 155 ¹ -191 ¹ | 36 |
| Do..... | No. 2 dark northern spring..... | 151 ¹ -163 ¹ | 12 |
| Do..... | No. 3 dark northern spring..... | 138 ¹ -153 ¹ | 15 |
| June 18..... | No. 1 dark northern spring..... | 151 ¹ -187 ¹ | 35 |
| Do..... | No. 2 dark northern spring..... | 147 ¹ -159 ¹ | 12 |
| Do..... | No. 3 dark northern spring..... | 134 ¹ -149 ¹ | 1 |

The cost prices as shown above indicate a range in the July option upon which they were based of only 2 cents per bushel during the four days in question, and the only change in the relative premiums for cash wheat was a narrowing of the range in the No. 1 dark northern grade of 1 cent per bushel.

Why this enormous range in the values of No. 1 dark northern spring wheat? The answer is that the lowest price paid for that grade is for wheat that will "just make the grade" with nothing to spare and no other factor of value to recommend it to the miller purchaser. Such wheat, besides being comparatively weak in its food constituents, contains the maximum of one or more grade factors allowed, such as mixtures of other wheats than red, spring, rye, wild peas, king-heads, wild rose, or other inseparable foreign material, while the top prices were paid for wheat that was infinitely stronger, heavier, and contained little or nothing but such wheat.

What may constitute the grades of dark northern spring wheat under the specifications now in force.

[Basis 60 pounds to 1 bushel.]

| | Dark northern spring, etc. | | | | |
|--------------------------------------|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | No. 1, 58 pounds. | No. 2, 57 pounds. | No. 3, 55 pounds. | No. 4, 53 pounds. | No. 5, 50 pounds. |
| | <i>Pounds.</i> | <i>Pounds.</i> | <i>Pounds.</i> | <i>Pounds.</i> | <i>Pounds.</i> |
| Damaged..... | 1.2 | 2.6 | 4.2 | 6.0 | 9.0 |
| Cereal grains..... | .3 | .6 | .6 | 1.2 | 1.2 |
| Matter other than cereal grains..... | .3 | .6 | 1.2 | 1.8 | 3.0 |
| Other wheats..... | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Sound wheat..... | 57.2 | 56.4 | 54.0 | 51.0 | 46.8 |
| Sound spring wheat..... | 55.2 | 50.4 | 48.0 | 45.0 | 40.8 |

An analysis of the No. 1 northern spring grade in the above table will show that strictly according to that grade the buyer is at present entitled to only 55.2 pounds of sound hard red spring wheat in each 60 pounds purchased. As for the balance of the 60 pounds, it may be wheats of such characters and contain such objectionable foreign matter as may completely nullify any factors of merit that the 55.2 pounds of sound hard red spring wheat may contain. Besides, if the grade contains the full 14 per cent of moisture allowed the purchaser pays for at least 1½ per cent of water above the quantity he may normally expect. This 1½ per cent of water at \$1.50 per bushel will add 1½ cents per bushel or 5¢ cents per barrel of flour to his cost. A study of the lesser grades in the table will show that their undesirability from the purchaser's standpoint grows greater at an increasing ratio in the grades from No. 1 to No. 5.

Who then, knowing this subject and has any sense of proportion, will say that our spring wheat standards approach anywhere near a gold money basis. In the present writers well-considered opinion their par value would line up somewhere between French francs and German marks as compared with the American dollar, and the bill now under consideration, if enacted into law, would further reduce their relative value in intermarket and international trade. Our wheat standards are held as of small value abroad.

To return to the matter of range in values for cash wheat at Minneapolis, competition among the mills in the buying of wheat on that market is real and keen notwithstanding a known belief to the contrary in certain quarters, and this makes for the strong premiums for the better classes of wheat in the grades as they are exposed for sale. Through the work of the mills chemists, sections of territory which produce the strongest, sharpest, and best wheat in varying degrees for milling becomes quickly known when each succeeding crop begins to move to market.

The buying in that sample market, therefore, is reduced to consideration of: Where was the wheat shipped from? Its test weight per bushel followed by consideration of its general appearance and freedom from objectionable foreign or so-called inseparable material regardless of grade. This form of "map" buying of wheat has become a general practice on the Minneapolis "floor" during the past few years. Hence the wide range in prices paid for wheat and the considerable premiums that have prevailed for certain wheats of superior milling quality. It is a fact that the wheat raised in the State of Minnesota has during the last few years brought lowest prices generally of all spring wheats sold on the Minneapolis market because it generally lacks strength and is usually foul with weed seeds. It is a well-grounded principle that weeds grown in the same field with wheat robs the soil of plant food that would otherwise be absorbed by the wheat and that wheat grows generally weaker and of less milling value in proportion to the quantity of weeds grown with it. For this reason wheat containing heavy "dockage" is generally avoided by mill buyers. Wheats from the general territory of the Red River Valley and eastern South Dakota do better as to price, but one must go into western North Dakota, northern South Dakota, and eastern Montana for the real thing—the wheat that brings 25 and 30 cents in premium over the wheats that "just get into the grade."

Likewise, it is this variation in the quality of the wheats that induces mill buyers on the floor to pay more money in some cases for No. 2 northern spring from western North Dakota and eastern Montana than for the same grade of wheat grown in Minnesota. This explains why the Federal grades put wheats of widely different values into the same grade. Furthermore, the buyer by sample considers factors of values

that are not considered in grades. The grading art has not yet reached that point of perfection wherein factors of this character can be applied in a practical way.

What effect will the provisions of the bill now under consideration have on values and the general traffic in northwestern spring wheat? It is safe to assume that it will have no particular effect so far as buying and selling by sample on the Minneapolis Exchange is concerned. Here a mill buyer will estimate the sample very closely at its true value for milling at the moment, and each division of value will again, like water, find its true level.

The outside buyer of spring wheat who has not the advantage of being able to buy "on the floor" and must buy by and accept his purchases on grade alone will most assuredly be injured by the proposed changes. As the grades stand now it is impossible for the intermarket and international buyer of spring wheat to be sure within several cents per bushel under most favorable circumstances of the value of the wheat that will be delivered him on grades, and the proposed changes will make this an infinitely more uncertain factor. Surely this will hurt the producer market outside of the sample tables, more particularly when he has a surplus and most needs a favorable market. Such buyers have no recourse but to buy as cheaply as possible, figuring always on being delivered the bottom of the grade.

The Steenerson bill grades will work out as follows:

| Basis 60 pounds to 1 bushel. | No. 1 dark northern, 58 pounds. | No. 2 dark northern, 57 pounds. | No. 3 dark northern, 53 pounds. | No. 4 dark northern, 50 pounds. |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Pounds. | Pounds. | Pounds. | Pounds. |
| Damaged..... | 1.2 | 2.4 | 4.2 | 6.0 |
| Rye..... | 1.2 | 1.8 | 2.4 | 3.0 |
| White club..... | 1.5 | 1.8 | 2.4 | 3.0 |
| Corn white..... | 1.5 | 4.2 | 3.6 | 3.0 |
| Other wheat..... | | | | |
| Sound wheat..... | 57.6 | 55.8 | 53.4 | 51.0 |
| Sound red spring..... | 54.6 | 49.8 | 47.4 | 45.0 |

From this showing it will be seen that if a miller buys No. 1 dark northern spring wheat by grade under these proposed grades he will be entitled to only 54.6 pounds of sound dark spring wheat of 58-pound test weight out of 60 pounds purchased. In the case of No. 4 dark northern spring wheat he will be entitled to but 45 pounds out of 60 pounds of 50-pound test weight wheat. Will this help the wheat producers' values and markets? The answer seems obvious indeed.

Furthermore, the proposals are to allow practically an unlimited moisture content as well as an unlimited quantity of foul weed seeds as dockage in all spring wheat grades. These last provisions, in the opinion of the present writer, utterly destroy any value as provisions for grades. For instance, let us suppose an owner of a parcel of wheat which contains only 1 per cent of spring wheat, 99 per cent weed seeds, and the wheat in the sample contains moisture to the point of saturation, presents this sample to a Government licensed inspector and demands that he grade it. The inspector would have no recourse under the law but to grade the wheat according to provisions for same, determine the moisture content and the dockage, and write the per cents of these two factors into his certificates of grade. Furthermore, the purchaser would have no recourse but to accept such a certificate on contract if he had bought simply on grade.

Millers of wheat very much desire that the farmer raise the best wheat possible, and are ready and anxious to pay for such wheat the best price the flour market will afford. That the efforts of the spring wheat farmer have not been toward improvement in respect to production of weed seeds is evidenced by the following paragraphs quoted from a paper by Robert H. Black, of the United States Department of Agriculture, read before a convention of the American Society of Agricultural Engineers at Chicago, December 29, 1921:

"This part of the spring wheat district has for many years produced grain containing an abnormal amount of weed seeds. The official grain standards of the United States for wheat designate such weed seeds as can be removed readily from the wheat by the use of appropriate sieves, cleaning devices, or other practical means as 'dockage.' When wheat is sold on the market, the weight represented by the dockage is deducted from the total gross weight before payment is made for the wheat.

"The Minnesota grain inspection records for the past 18 years show that the percentage of dockage in wheat arriving at terminal markets has been increasing. The

average dockage for 1903 was 2.2 per cent; the average dockage for the 6-year period ending 1914 was 2.9 per cent; and for the 6-year period ending 1920 was 4 per cent, while for the 1920 crop of wheat alone marketed up to January 1, 1921, the average dockage was 5.1 per cent. This means that on this basis the 1921 crop of spring wheat contains over 10,000,000 bushels of 60 pounds each of dockage.

"Some of the material removed as dockage has a certain feed value, while other constituent parts of the dockage not only have no feeding value, but are actually harmful as a feed. The expense of removing the dockage at the elevators and flour mills at the present time practically offsets this commercial value, with the result that the farmers seldom receive anything for the dockage when they sell grain at their local elevators.

"Dockage gets into the wheat from various sources. One of the principal sources is the sowing of foul wheat just as it comes from the thrashing machine without any further cleaning. In order to determine just how much foul matter was being sown with this wheat samples of seed wheat were taken from many of the drills which were seeding in the fields of Minnesota and the Dakotas last spring. On analyzing these samples it was found that a few were almost entirely free from weed seeds, but that the average amount of weed seeds sown with the wheat was over 2 per cent of the weight of the seed wheat. Many of the samples contained over 10 per cent of weed seeds and one sample of wheat being seeded contained as much as 18 per cent of weed seeds. In terms of numbers of weed seeds sown the range was from 2,000 to 489,000 weed seeds per acre, each of which was probably capable of developing a strong weed plant. Wild oats, wild buckwheat, vetch, and kinghead, in the order named, were the four weeds most common in the seed wheat. If the farmers insist upon sowing the seed as it comes from the thrashers without further cleaning, then the thrashers should clean the wheat much better than is now being done.

"The weed seeds that are in the thrashed wheat must be removed before the wheat is ground into flour. Removing these seeds at the flour mills is not only expensive but is also economically wasteful for many reasons, one of which is that the repeated handling of wheat through the elevators and during shipments breaks up many of the wheat kernels. These small pieces of cracked wheat, which would make good flour if they could be saved, are removed with the weed seeds when the wheat is cleaned in the flour mill, because the small pieces of cracked wheat are approximately the same size as the weed seeds and are removed in the cleaning operation.

"A greater economic waste is due to the expense of handling the dockage itself. At the present time the farmers in the Central Northwest haul this dockage in the wheat to the elevators and sell the wheat without receiving anything for the dockage. Much valuable space is occupied in every wagonload of wheat, in every country elevator, in every carload of wheat, and in every terminal elevator and flour mill by the dockage in the wheat. If this dockage could have been removed at the time of thrashing the farmer would have been able to feed that part of the dockage having feed value and he would also have saved the expense of hauling the dockage to the elevator. The farmer would in all probability have received a better price per bushel for his wheat if it had been clean because, among other things, it is necessary in basing the prices which the country elevator pays for wheat to take into consideration either the cost of removing the dockage or the freight charges which must be paid on the dockage contained in the uncleansed wheat which is shipped to the terminal markets.

"Dockage is always a troublesome factor in every stage of the marketing of wheat. It causes suspicion on the part of the farmer when he is selling his wheat, because he has to depend upon the integrity and accuracy of the buyer when the percentage of dockage is being determined. Every time the grain is sold one of the vital questions is, 'How much dockage is to be assessed?' The only prevention of many of the disputes that arise during the marketing of wheat at the country elevators is either to raise wheat without dockage or to take the dockage out of the wheat before the wheat is sold by the producer."

H. Bruce Price says in the American Economic Review, June, 1921, page 230:

"A popular misconception is the belief that the price of grain bears on the relation to the value of the dockage for foreign material that it contains. Studies conducted in Minneapolis in 1916 by C. H. Bailey and the writer show that the foreign materials that are difficult to clean from wheat and which injure the baking quality of the flour depress the price of the grain in proportion as the foreign material is detrimental to the flour. Where the foreign material has a commercial value and can be readily separated from the grain, a small amount of dockage that does not pay for the cost of cleaning also depresses the price of the grain, but the grain that contains a large amount of the valuable separable foreign materials commands a premium which increases with an increase in the quantity and value of the dockage. The data

obtained in this study further show that a loss is sometimes incurred on the grain with light dockage, while a good profit is realized on the wheat containing heavy foreign material. Taking into consideration, however, the cost of cleaning the grain, the loss of grain during the cleaning process, and the loss due to an occasional erroneous determination of the dockage by the inspection department, it is not probable that the grain dealers have realized the large profits that are so often ascribed to the foreign material."

In conclusion, gentlemen of the committee, the present writer fears greatly the results of your action should the bill under consideration be enacted into law. It would cause, in his well-considered opinion, great economic detrimental disturbance in the spring-wheat industry and go far toward destroying entirely the small value that now obtains in the present grades. It would help to place more Minnesota wheat into the higher grades and encourage dirty farming. It would also materially lessen the values of the better wheats grown in western North Dakota, northern South Dakota, and eastern Montana that could be obtained in intermarket and international trade, especially when the producer has a surplus to sell.

It would seem, in his best judgment, to be an economically sound proposition to make changes in the grades that would be constructive of higher values, if changes are to be made at all, rather than to make the changes proposed which are of a destructive nature. The methods of the citrus fruit associations are a case in point, and a study of their methods would no doubt convince you gentlemen that you ought not to pass this bill.

The present writer is strongly of the opinion that in the best interests of the whole spring wheat industry (which is largely the farmer interest) the wheat grades should be made more conservative. In other words, they should be "tightened up," rather than be "loosened up" from a quality standpoint, and that wheat containing the higher quantities of weed seeds should be denied the privilege of interstate movement in order not alone to prevent valuable farm lands from being deliberately used for growing foul weed seeds but because also it is an economic waste to handle and transport the weed seeds that are normally grown.

It is quite clear to the present writer that the provisions of this bill are infinitely more in favor of the terminal mixing elevator or so-called "hospital" than in favor of the producer of wheat. He is well aware that the psychology of the moment demands that something be done with this bill. Yet, he strongly feels that it would be much wiser to leave the adjustment of grain grades with the Secretary of Agriculture than to write them into the law. The case of Canada in this respect can not be compared fairly. If, however, you gentlemen feel that these grades should be written into the law, may he not urge as strongly as possible that the moisture content of any graded spring wheat shall not exceed 16 per cent and that the dockage limit in such graded wheat be fixed at 10 per cent, until it is cleaned at least down to that percentage.

Mr. TINCHER. May I interrupt you there? We are trying to get to the fundamentals of grain grades, and our time is very limited, and your paper will go into the record. Would you mind giving us something definite and specific on this bill?

Mr. JONES. In that connection, I want to ask you a question that I asked several witnesses last summer. Why can not some system be devised which, in addition to grade No. 1, would take care, distinctively, of two or three different kinds of wheat that are above grade No. 1 as listed here, and listed in the general list?

Mr. SHANAHAN. What is your part of the country?

Mr. JONES. Northwestern Texas. It is high land country, very similar to the Kansas country.

Mr. SHANAHAN. The grain trade, especially the wheat trade, is a highly concentrated industry. It has been complained that now, in the Federal grades, we have too many grades to be properly handled at the country elevator and sometimes at the terminal market.

Mr. JONES. That may be true, but there is a whole lot more difference between the lowest grade of No. 1 wheat, as listed here, and the highest grade of No. 1 wheat.

Mr. SHANAHAN. I agree with you.

Mr. JONES. Than there is between the lowest grade of No. 1 and the lowest grade of No. 2 wheat. I think there should be two or three more grades.

Mr. SHANAHAN. Taking into consideration the difficulties in handling more grades in a practical way with the facilities we have (and the facilities in this country for handling grain are better than in any other country in the world), I believe the solution of this thing, the only solution, is just what Mr. Mills has recommended, that you place your level of value as high toward the top as you can.

Mr. JONES. I think that is probably true.

Mr. SHANAHAN. Now the effect of that is that a man who raises the best wheat gets nearer, in the country, to the price he is entitled to, and that is the tendency in the markets, even as United States standards now are, to bring those lower values up toward that; but, on the other hand, your level of value is placed low and this bill proposes to place it lower or to destroy it altogether for the entire market in international trade, and the tendency is now to pull the best grades down to that level. There is not any question about that in my mind, and that is based upon a study of this question for 35 years.

Mr. JONES. You do not think it would be possible to provide a system of grading, leaving No. 1 as it is now and then having No. 1A, and No. 1 plus. Would not that be the same thing as having different grades?

Mr. SHANAHAN. I believe it would be impracticable to handle a system of that sort, considering the facilities we have and the great volumes that we handle and the short length of time in which the grain is handled.

Mr. JONES. Assuming your position is correct on that, if we are going to have any more grades than we have, ought we not to get a grade at the top that includes the very best type of wheat and, at the bottom, that includes the very lowest type of marketable wheat? Then grade the others, so many as we can handle, ratably between those, so as to have them just to all people.

Mr. SHANAHAN. That is exactly true, but I do not believe we are advanced far enough in the progress and experience and study of this system, where we can do absolute justice to everybody. I do not believe we can do it and handle the large crops and the volume of business.

Mr. JONES. It does not seem to be fair.

Mr. SHANAHAN. It is not impossible, but I do not believe our industry has advanced to that point where we can do it, because there are so many infinitely small divisions between the top and bottom. Here it is 36 cents a bushel in one grade of No. 1 northern. If we did absolute justice, and divided that into a cent for each grade, we would have 36 grades, don't you see?

Mr. JONES. Yes; but it would not be necessary to have a grade for every cent, but only to have such grades as would be ratably proportioned between the highest and lowest.

Mr. SHANAHAN. Yes.

Mr. JONES. The thing I am trying to get at here is, you have such grades as you have compacted, so that they only cover a portion of the wheat, and after you get through grading you have a

great big lot of wheat above the highest grade that is susceptible of grading.

Mr. SHANAHAN. I rather think that just at this time, or for the last two or three or four years past, we have had rather abnormal conditions in that respect.

Mr. TINCHER. Our time has expired, and I want to ask leave for you to insert your statement; but at this time, inasmuch as our time has expired under our agreement to hear the department, I want to move that before Congress takes action either on this bill or the bill that is on the calendar with reference to these grades, we invite the Secretary of Agriculture to give us, at his first opportunity, the benefit of the investigation that he conducted last summer and fall of the grain-grading proposition.

Mr. HURD. I am informed his investigation is completed and his findings upon that investigation would be made in not later than 60 days, and possibly within 30 days. If that is done, any change he might make would be effective in time for the new spring-wheat crop, according to the law.

The CHAIRMAN. Of course it will take a little time for Congress to pass this bill.

Mr. STEENERSON. I think we ought to do it in 30 days.

The CHAIRMAN. Will you just give us the benefit of your judgment as to dockage? I do not want to take much of your time, but kindly state it briefly.

Mr. SHANAHAN. The dockage is a problem that the Department of Agriculture has been working on for something like 15 years and they have not yet reached a solution that will satisfy everybody. I do not think that the study of the situation has gotten so far along that it can be fixed so that there won't be some dissatisfaction. I think some improvements could be made, and I will say this, and I will say it frankly, that from my standpoint, my own selfish standpoint, as I am situated now, I want the Steenerson bill to be passed, because I am paid quite a large salary by a milling concern to buy wheat and I can not buy wheat to the advantage of the mill, even on these Federal grades, and if the Steenerson bill is passed I will be worth twice as much to my milling concern as I am right now.

The CHAIRMAN. In what way?

Mr. SHANAHAN. Because they will need my services to buy their wheat, because that bill, in my estimation, absolutely destroys the value of the grades for the American market and in the international trade; and when we want to buy wheat, I would have to go to Minneapolis or Kansas City, or wherever we buy it, and buy it on the table.

The CHAIRMAN. You are speaking of the grades. How about dockage?

Mr. SHANAHAN. As I say, that is a matter where there might be some improvement.

The CHAIRMAN. Let us confine ourselves to dockage. I am not taking issue with the scientists as to grading; that is a technical question, but this dockage is a question that any business man can decide for himself.

Mr. SHANAHAN. I will say this from the technical standpoint, so far as the milling standpoint is concerned, that we do not want

dockage. It is a detriment to us and costs us money every time we handle wheat that is not cleanable on our ordinary machinery for cleaning wheat the first time it goes through those mills.

The CHAIRMAN. You do not want it, but you buy it and pay a premium.

Mr. SHANAHAN. We do not pay a premium.

The CHAIRMAN. The testimony here is they paid 27 cents more.

Mr. SHANAHAN. Yes; that is in Minneapolis. We do not want dockage; we would rather pay a premium and do pay a premium, but that is not in dockage. I will cite just one instance. There were two cargoes of wheat shipped from Duluth in the dirt, which is an unusual procedure; they usually take it out in the elevators down to 1 per cent. It was shipped to Buffalo last fall, before the lakes closed, and almost every man that got wheat out of that cargo—I am talking about the mills east of Buffalo; the fellow who is in the country; that is, the mill that has a capacity of anywhere from 150 to 1,000 barrels—he got one lot of that wheat and he would not buy any more. He could not use it, he could not clean it; he had not the machinery to clean it.

The CHAIRMAN. Let me ask you this question: A bushel of wheat that has 15 per cent oats in it is it worth more than one that has 15 per cent of sand in it? Is that 15 per cent of oats worth anything to you?

Mr. SHANAHAN. If the oats will bring more than the cost of the cleaning and handling of them; but it is not very often that they will.

The CHAIRMAN. But, as an outside buyer, you are in the dark; you do not know whether it is sand or oats.

Mr. SHANAHAN. When we buy on the Federal grades, I know we are not going to get more than 1 per cent of that stuff in it, and we can handle that all right. What use would the certificate be to us? We would absolutely turn down, if we had it, 3 or 4 more per cent. It would hurt the sale of the wheat.

The CHAIRMAN. Exactly; you would now know what is there.

Mr. SHANAHAN. Exactly; we would not buy oats.

The CHAIRMAN. No, you do not know what is there.

Mr. SHANAHAN. Oh, yes, we do.

The CHAIRMAN. The certificate does not note the kind and quantity.

Mr. SHANAHAN. When we buy on the Federal grades we get the grade. As I cited here, we do not get very much hard, sound, spring wheat; we are likely to get a lot of other stuff, but we do get wheat, and we figure on the minimum quality, and we know too that we have dockage; if there is dockage on the certificate, we know that it is dockage that we can clean out, that we can handle, if it is not more than 3 or 4 per cent, and if it is more than that we do not want it. Our mill is not equipped to handle a greater percentage of dockage than that in any sort of economical way.

The CHAIRMAN. Is it not a fact if you buy on a contract to arrive, you accept of it whether it has 3 or 5 per cent?

Mr. SHANAHAN. No, Mr. Chairman; when we buy contract wheat we buy without dockage.

The CHAIRMAN. Still, you buy to arrive.

Mr. SHANAHAN. In the East, because it is supposed to be without dockage, because it goes in the elevators and is cleaned out.

The CHAIRMAN. Exactly. The speculator buys and cleans it out and gets the benefit of the dockage. I am not finding fault; I am just trying to find out. It is not clear to me why the growers should be penalized \$50 a car.

Mr. SHANAHAN. You are right about that.

The CHAIRMAN. I may be mistaken.

Mr. SHANAHAN. My experience has been mostly in the East, and I am familiar, in my study with the Department of Agriculture and otherwise—

The CHAIRMAN. Your wheat has been through the hospital; you got the clean wheat.

Mr. SHANAHAN. You are asking about that dockage.

The CHAIRMAN. Yes.

Mr. SHANAHAN. Now, Mr. Chairman, I think I am strongly of the opinion that that situation has been greatly exaggerated.

The CHAIRMAN. This shows the figures [referring to previous hearing].

Mr. SHANAHAN. Yes; but I do not know the basis on which that is figured. You know, there are two or three bases on which those things can be figured, and unless you have all of the factors affecting what is proper and all that sort of thing, I think the statement does not amount to very much.

The CHAIRMAN. This statement was made by one of the commissioners who appeared here.

Mr. SHANAHAN. I will tell you, really I think you can get an answer to that question which would be infinitely more correct than anybody here could answer you, from the experts who have made special studies of just that thing in the Department of Agriculture, and of course the price of this stuff, the worth of this offal and that sort of thing, makes a big difference. It is not very often the offal is worth something, unless it is something like flaxseed or that sort of thing. There is another thing, that a good deal of this wheat with a large dockage in it, we have to run through the bins and the machinery two or three times, which breaks up the wheat.

The CHAIRMAN. The buyer takes that into consideration in determining its value.

Mr. SHANAHAN. But we can not compute that when we buy, with any certainty. It breaks up the wheat and we lose more value in wheat than we get out of the dockage, by broken wheat.

Mr. RIDDICK. Do you believe, as an expert wheat buyer, if this bill were passed in its present form it would lower the price in foreign markets for American wheat?

Mr. SHANAHAN. Absolutely.

Mr. RIDDICK. And cost the American wheat growers a great deal of money?

Mr. SHANAHAN. I think it would. I feel that very strongly, that it is fundamentally a mistake.

Mr. STEENERSON. You do not claim that the change in this dockage proposition would do that.

Mr. SHANAHAN. Why, Mr. Steenerson—

Mr. STEENERSON. Can you not answer that question?

Mr. SHANAHAN. Yes; it would do it. I know what you are trying to get at; I know what you are trying to remedy. I know the question exactly; it is a question that has been studied in the Department

of Agriculture for 15 years or more. They have not solved the question yet, and I do not believe your bill solves it. I think it makes it worse.

Mr. STEENERSON. I want to ask you this: Is it not a fact that the interest of the terminal elevators is a little different from the interest of the miller so far as this question of dockage is concerned?

Mr. SHANAHAN. Yes, it is; but I want to tell you this, that I believe, honestly—I want to state it with all the force that I can—that your bill is more in favor of the hospital elevator than it is the producer of wheat.

Mr. STEENERSON. I know you are against my bill.

Mr. SHANAHAN. Not your bill, Mr. Steenerson, but the principle.

Mr. STEENERSON. You even deny that you said you were the author of these grades.

Mr. SHANAHAN. I do not deny it and I did not say so. I said the principles upon which those grades were built were mostly mine.

Mr. STEENERSON. The committee has your own words before the Secretary of Agriculture.

Mr. SHANAHAN. I represent specifically the New York State Millers' Association at this time. Further than that I represent about 35 years of close study of this subject and hard work to bring about Federal standard grades. Four of those years were spent here in the Department of Agriculture in charge of that department of the work, and I believe that I can say that the principles upon which these grades were built are mostly mine, and I have no apology whatever to make for those grades.

Mr. SHANAHAN. I am perfectly willing my own words should stand, but they are not what you have said.

Mr. STEENERSON. Now, is it not a fact that the profit in mixing these different kinds of wheat with different faults inures to the hospital elevator, or the terminal elevator?

Mr. SHANAHAN. Exactly.

Mr. STEENERSON. And the miller himself, who buys, is not so much interested in that.

Mr. SHANAHAN. Yes, he is; because he has to take it on contract, and that mixture—

Mr. STEENERSON. You understand what I mean—it does not profit by this mixing like the terminal elevator.

Mr. SHANAHAN. No; but the miller in the East, where we are situated, loses by that process, because he gets poor wheat and has to pay the price for it.

Mr. STEENERSON. There is a difference in the purely milling firm and one who operates a terminal elevator.

Mr. SHANAHAN. Yes, sir.

Mr. STEENERSON. Do you subscribe to this statement, made by James F. Bell, of the Washburn-Crosby Co., that—

It is a matter of record that the range in price of wheat of the same Federal grade, as paid by the millers in the terminal markets and based upon the commercial value, I think, is most of the time 20 cents and has been as high as 40 cents.

Mr. SHANAHAN. It seems to me that question is incomplete, and it does not mean anything to me.

Mr. STEENERSON. "The range in price of wheat of the same Federal grade, as paid by the millers in the terminal markets and based upon the commercial value, I think, is most of the time 20 cents and has been as high as 40 cents."

Mr. SHANAHAN. Yes, I do. I understand it.

Mr. STEENERSON. You understand it?

Mr. SHANAHAN. I do, and I explain it in my paper I have filed here.

Mr. STEENERSON. This is what I want to know, if that is the extent of the range as far as you know.

Mr. SHANAHAN. Yes. It is not a matter where the remedy is in the grading of wheat, taking into consideration the factors that have, up to this time, been considered.

Mr. STEENERSON. Mr. Bell seems to think it can be remedied in this bill.

Mr. SHANAHAN. Undoubtedly it can be remedied, but not that way, because it takes into consideration not only the volume of proteins and gluten that is in wheat, but other wheat also, and those are factors that have not been considered as yet in the grading of wheat.

Mr. HURD. I would like to ask that a copy of the subject matter of S. R. A. Markets 62 be inserted in the record. This covers all the points concerned in a very concise and brief manner and I think it would be of interest to the committee.

(The report submitted by Mr. Hurd is as follows:)

SERVICE AND REGULATORY ANNOUNCEMENTS (MARKETS) No. 62—WHEAT GRADE ANNOUNCEMENT.

DEPARTMENT OF AGRICULTURE,
Washington.

As a result of representation made to me that there is dissatisfaction in the central Northwest with the present Federal wheat grades for hard red spring and durum wheats, I heard on this matter on March 19, 1920, at Washington, D. C., a delegation from the central Northwest; on March 31, 1920, at Washington, D. C., a delegation of grain dealers and representatives of grain trade organizations from the States of Texas, Oklahoma, and Illinois; and on April 2, 1920, at Chicago, Ill., representatives of producers, the grain trade, and millers.

Certain recommendations for changes to take effect at the beginning of the coming crop year, involving a distinct lowering of the present standards for hard red spring and durum wheats were presented by the State boards of grain appeals at Minneapolis and Duluth, certain State officials of Minnesota and North Dakota and others on behalf of spring and durum wheat producers of the central Northwest. Both the second hearing at Washington and the hearing at Chicago, April 2, were held in order that all interests concerned in the production, marketing, and handling of wheat might be heard.

1. ALL INTERESTS CONSIDERED.

The marketing of American-grown wheat is a highly complicated process, involving interrelated local, interstate, and foreign transactions. There are many interests to be considered; the farmers, country buyers, elevator operators, brokers, commission men, jobbers, exporters, foreign buyers, carriers by rail and water, and millers. Obviously, if the seller is to know what he offers for sale and the buyer is to know what he is buying, and if their transactions in wheat are to be conducted with the minimum of effort and expense from a grading standpoint, they must speak a common language. This can not exist unless there is a single set of grading standards for the use of all of them, which they must apply to all markets and all sections of the country which produce or handle the same wheat.

2. PROPOSED CHANGES DISCUSSED.

For more than 10 years the Department of Agriculture has been gathering samples of wheat in every part of the country in which wheat is produced or marketed, during all stages of the harvesting and marketing and utilization of wheat, and in every season. All the grading standards established and used for many years by State and trade organizations have been collected and carefully studied. Records have been kept of assignments by commercial inspection organizations, and the samples collected

Department have been analyzed and the information derived from such investigations recorded in detail, tabulated and preserved and compared with data obtained from outside sources. No other single organization has any such collection of data. The proposed changes are discussed in the light of this information.

Weight per bushel.—(1) The amount of flour obtained from wheat is the factor which largely determines its value. The milling yield or flour content of wheat is directly proportional to the weight per bushel. More barrels of flour and more loaves of bread can be produced from 1,000 pounds of wheat testing 58 pounds per bushel than can be produced from the same amount of wheat testing 57 pounds per bushel, other factors of quality and condition being equal. Investigators outside the Department of Agriculture confirm this statement. Figure 1 shows the relation of flour yield to the weight per bushel of wheat as determined by the North Dakota Agricultural Experiment Station and the Department of Agriculture.

(2) Fifty-eight pound wheat is worth more and commands a higher price on the market than 57-pound wheat, all other factors being equal. Labeling wheat No. 1 which weighs only 57 pounds per bushel does not make it worth as much as 58-pound wheat. Quotations to the country elevator by commission men, track buyers, terminal elevator men, etc., who buy for export shippers or millers, are based upon the lowest quality of wheat permitted in the grade because the buyer can not be sure he will get a better quality. In reselling by grade the mixer will see that the miller or exporter does not get a better quality than the lowest permitted by the standard. Therefore, the price on Grade No. 1 with 57-pound test weight will be less than the quotation would have been on 58-pound wheat. The farmer with 58-pound wheat who sells it to the country elevator as No. 1 will have to take a 57-pound price for it. Normally, there is an abundance of wheat produced in the Central Northwest which weighs 58 pounds per bushel or more. To lower the test weight per bushel requirement for No. 1 to 57 pounds would deprive the farmers who produce this 58-pound wheat of the price to which they would be entitled, with no advantage to the producers of wheat weighing 57 pounds, as the latter would sell for 57-pound wheat in any event.

Moisture content.—(1) Wheat containing 15 per cent of moisture is unsafe for transportation or storage. Investigations by the Department of Agriculture of several thousand carlot shipments of wheat show that, as the moisture content increases, the percentage of cases in which deterioration occurs also increases. This increase is very slight until 14½ per cent is reached, when it becomes very marked. The published report of the Minnesota chief inspector of grain to the Minnesota railroad and warehouse commission for 1916 contains the statement that normally plump, hard spring wheat may heat if containing 14½ per cent of moisture, while if the grain be shriveled, frosted, very dirty, or previously heated, it may get out of condition if it contains 14 per cent or over, and that these limits were accordingly recommended to the board of grain appeals of Minnesota. The present percentages of moisture for spring wheat are, for No. 1, 14; No. 2, 14½; and No. 3, 15; this department's standards being more liberal than the above report.

(2) The actual yield of products of wheat drops in proportion to the increase in moisture content. (See Fig. 2.) In an average carload of 1,200 bushels of wheat containing 14 per cent of moisture there are 168 bushels of water. If the moisture content were increased to 15 per cent, there would be an increase of 12 bushels of water and a decrease of 12 bushels of dry matter. On this basis, at the present prices (say \$3 per bushel) these 12 bushels of water would represent a difference in value of about \$36 in the carload, and because of the possibility that the wheat would carry this moisture the buyer would consequently reduce his bid whether it did actually carry this moisture or not, and the farmer would lose.

(3) Wheat containing 15 per cent of moisture is worth less and commands a lower price on the market than drier wheat. Raising the moisture content for grades Nos. 1 and 2 to a point beyond that safe for storage and transportation will result in buyers specifying the moisture content in addition to the grade in their purchases from terminal markets, which will greatly complicate their business transactions, or they will lower their price on all purchases of these grades sufficiently to insure themselves against loss on the wheat that may go out of condition. If the average price is lowered by those who must store the wheat to protect them against loss, buyers must offer less and it will be reflected back to the farm, and the farmer with dry wheat will receive a lower price while the farmer with wheat containing a slightly higher percentage of moisture will receive no more.

(4) There is no occasion for increasing the amount of moisture allowed in No. 1 and No. 2 wheat to 15 per cent, for the reason that in the six years from 1911 to 1916, inclusive, covered by departmental investigations, there was no year in which the average moisture content of hard red spring wheat reached 15 per cent. (See Fig. 3.)

Rye.—The great bulk of wheat produced and marketed in the Central Northwest does not contain rye. Over 95 per cent of the wheat from this section as it reaches terminal markets contains either no rye at all or in such small amounts that it is not a factor of grade. Therefore, the farmer would not be benefited by a revision of the wheat standards permitting more rye in wheat. On the contrary, inasmuch as the ultimate buyer of the wheat, whether the miller or the export shipper, will expect to receive wheat with the highest percentage of rye allowed due to the mixing of the elevator man he must make his price accordingly, thereby penalizing the farmer who has wheat free from rye. Because rye is cheaper than wheat, such a revision would serve only as an inducement for adulteration by elevator operators after the wheat has left the farmer's hands. At the present time on the Minneapolis market rye sells for approximately a dollar per bushel less than wheat. The same argument that the return to the farmer will be less by lowering the test weight and moisture requirements applies to an increase in the allowance for rye. This is all, of course, based upon the fact that rye is not worth as much from a milling and baking standpoint as wheat.

Mixture of spring and durum wheats.—Durum and springs wheats are utilized for different purposes. Durum wheat mixed with spring wheat is detrimental to the milling and bread making qualities of spring wheat. On the other hand, spring wheat mixed with durum is detrimental to the qualities possessed by durum wheat for the purposes of macaroni and allied products. Consequently, spring wheat mixed with durum will not bring the same price as spring wheat free from durum nor will durum wheat mixed with spring command the same price as durum wheat in the pure state. A revision of the present standards permitting freer mixture of spring and durum wheats will increase the opportunities for mixing in terminal elevators and will penalize farmers producing a superior product.

The "red spring" subclass.—It is common knowledge that dark, hard, vitreous wheat is superior in milling and bread-making qualities to wheat which is yellow in color or starchy in texture. Dark, hard, vitreous wheat commands a premium over yellow or starchy wheat in all markets of the country. Spring wheat produced in the Central Northwest is characteristically dark, hard, and vitreous. Only a very small percentage of a normal crop fails to meet the requirements of the subclass "Northern Spring" under the present standards. Of the 1918 crop approximately 4 per cent graded "red spring." Of the past crop something like 1 per cent graded "red spring." It would becheapen northern spring wheat to allow admittedly inferior wheat to be labeled "northern spring."

Bright or good color.—No useful purpose would be served by substituting the term "good color" for the word "bright." The actual interpretation of either term would be the same. Such a change would be merely a change in words and not in meaning.

3. PRODUCERS NOT BENEFITED BY CHANGE.

The request made by the Central Northwest delegation for a general lowering of the present standards for hard red spring wheat and durum wheat was made apparently on the theory that, under the standards they proposed, the producer would receive more money for his wheat. The arguments made in support of this theory were not convincing and were not supported by evidence. On the other hand, the testimony seemed to prove that, under free and open competitive marketing conditions, the lowering of the present standards would tend to reduce the return to the farmer. This department's studies of grain marketing support the later view.

4. PRESENT STANDARDS HAVE NOT BEEN TESTED UNDER NORMAL MARKETING CONDITIONS.

The Federal wheat standards were established and promulgated in 1917 and revised in 1918. They have been operative only under fixed price and war conditions and consequently opportunity for fair test of their merits or defects has not been afforded under normal marketing conditions. It is believed that any injustice to producers of wheat that may have resulted from fixed prices during the war will be eliminated when normal competitive marketing conditions again prevail. In the circumstances, it is not deemed practicable to change the present Federal wheat standards until experience has been had during a period of normal marketing conditions, and this belief was shared by the majority of those whose views were expressed on the proposed changes.

5. CONFUSION IN GRAIN INDUSTRY UNDESIRABLE AT THIS TIME.

The United States grain standards act requires that changes in the wheat standards shall be announced at least 90 days before they become effective. Changes could not

be made in any event to become effective before the new crop begins to move, and any changes in the hard red spring and durum grades would involve similar changes in other classes of wheat. Any changes announced at this time could not become effective before the beginning of the crop movement, and would add to the confusion which will follow the termination of the fixed price regulations.

6. MAJORITY OPPOSED TO CHANGE.

At the second hearing at Washington and at the hearing at Chicago on April 2, 1920, overwhelming opposition was voiced against any change this year in the standards for wheat now in force. After the announcement of the public hearing held in Chicago many letters and telegrams from farmers' organizations, State officials, grain dealers and millers' organizations in different sections of the country were received, opposing change in the standards; in fact, many of these expressed the desire for even higher standards, thereby making higher requirements for the better grades of wheat.

CONCLUSION.

After careful consideration of all evidence and arguments presented at the hearings, together with letters and telegrams and departmental data bearing on the question, I have concluded that no change should be made in the present standards for wheat.

During the consideration of the proposed changes in the wheat standards I have been impressed with the great need for educational and demonstrational work, to inform producers, country buyers, and others regarding the purposes of the standards and their requirements, their proper application, and the value of grading standards to the producers and other interests in handling grain. Such work has been conducted with great success in limited areas in certain portions of the country during the last few years in cooperation with State agricultural colleges, State officials interested in grain grading and farmers' organizations, from whom requests have been received for such work and with whom hearty cooperation has been had. While the extension of this educational work is of vital importance, that producers and others may have the desirability of the present standards pointed out to them, it is to be regretted that it will have to be further limited during the next year because of the reduction in the appropriations available for the purpose.

E. T. MEREDITH,
Secretary of Agriculture.

(The following was submitted by Mr. Steenerson:)

The following letters analyze the proposition for amending my bill submitted by Washburn-Crosby & Co., millers, of Minneapolis, and advocated at the last hearing by Mr. Mills, their buyer, and by the other representatives of the millers:

AGRICULTURAL COLLEGE, N. DAK., March 3, 1922.

Congressman H. STEENERSON,
Washington, D. C.

DEAR MR. STEENERSON: Your kind favor of the 25th received, also copy of amendments to your grain grading bill, submitted by Mr. J. F. Bell, of Washburn, Crosby & Co., millers, of Minneapolis.

I have talked this matter over with our men and we find that there are a number of provisions in these amendments that would work a hardship on the farmers. For instance, subclass (a) calls for 90 per cent of dark-colored kernels, whereas your bill calls for 75 per cent, which is also the present requirement. And then again at the present time and in your bill the classification is based on the texture and color of the kernels, but in these suggested amendments the classification is based on color entirely, so it would likely result in considerable wheat going into a lower subclass than its flour-producing quality would place it and where it is placed when judged by texture and color. This change in method of classification and higher percentage of dark kernels would likely result in practically none of our wheat going into this highest subclass where most of our wheat is being graded at the present time. A good deal of wheat raised in Minnesota in some years is mottled, yet of the highest milling quality, as in Ottertail County, for instance.

These amendments also call for raising the test weight on No. 1 hard red spring to 59 pounds, which would mean that there would be practically no No. 1, and we can not see why we should require a higher test weight than they do in Canada. You know from your investigation that 58 pounds test weight, our bushel, corresponds with 60 pounds Canadian bushel.

No mention is made of rye, so I suppose it would be classed as inseparable when amounting to over 1 per cent, and this would not be fair, as rye, up to certain amounts, has a value, and I believe the fairest way to handle it is as in your bill—that is, H. R. 9668.

In the durum provision is made that the class (a), which would correspond to our amber durum, must contain 90 per cent of hard and vitreous kernels, while at the present time 75 per cent is all that is required, and also it would take only 5 per cent of red durum or kernels of a distinctly red color to throw it into red durum. This would throw a considerable part of our durum wheat into red durum, and it would make it so that there might very little of it go into the highest subclass.

I think that 14 per cent is too low for moisture. The amendments would make the designation of excess moisture and excess foreign material a part of the grade. The wording in your bill is more definite. It states that dockage and excess moisture shall be designated on the grade certificate but shall not affect the grade.

We certainly think that your bill as it stands at the present time—that is, H. R. 9668—will work out much more satisfactorily and is not such a big departure from our present system, as it continues the same basis for making the classification into subclasses, and it will also remove the very objectionable features of having moisture and the so-called inseparables acting as grading factors. The result of having these two serve as grading factors has been to reduce the price reflected back to the farmer to the lowest that is paid for wheat made, to grade by putting in everything that it will stand while the farmers' wheat is usually only down on but one factor. And another result has been that grades Nos. 3, 4, and 5 allow so much stuff in them that they can not be bought by grade, but have to be bought on sample, which cuts out a lot of competition, and the farmer secures a lower price.

Please send me a few copies of H. R. 9668.

Sincerely,

W. C. PALMER, *State Inspector.*

MINNESOTA GRAIN INSPECTION DEPARTMENT,
St. Paul, March 1, 1922.

Hon. Q. P. B. JACOBSON,
Railroad and Warehouse Commissioner,
Washington, D. C.

DEAR SIR: With reference to the suggested amendments to H. R. 9668, which bill has reference to the standards and grades for wheat, it is my impression that the suggested amendments have for their basis a modification of the provisions of H. R. 9668 for the benefit of the millers almost exclusively. I can find nothing in the suggested amendments that would produce any benefits for the actual growers of grain.

Under subclass A in the amended schedule it appears that an attempt is made to raise the standard of this class and require 90 per cent of dark hard vitreous kernels and reduce the per cent of humpback to 5 per cent. It is my opinion that the wording of H. R. 9668 in respect to subclass A should not be changed.

Subclass B, as shown in H. R. 9668, is very properly drawn. The suggested amendment to this subclass does not strengthen the grades. I believe the suggested change would do just the opposite in so far as the interests of the producer are affected.

We cannot find any necessity for the addition of subclass C. Rather than adding to the number of grades to be submitted to the inspector we feel that a reduction should be made, if possible.

I believe that if the suggested amendment covering the question of foreign material were adopted it would lead to untold confusion. It is not to be expected that an inspector can have knowledge of what the trade is to consider as commercially inseparable dockage. I am of the opinion that the specifications in H. R. 9668 covering foreign material are much more to the point. We object specifically to adding any unnecessary wording to the grade certificates. In view of the fact that we at the present time are showing upon our grade certificates, when it is a factor in grading, the per cent of dockage and the per cent of foreign material, we can not conceive of any reason for adding thereto the words "excess foreign material," and make that any part of the grade. The buyers of grain on terminal markets are in the position and do know at all times the requirements of the grades and the indication upon a certificate of any particular per cent of foreign material or dockage will immediately signify to them that it is or is not excessive.

The attempt is made once more to confine moisture content to 14 per cent. This department has never agreed that 14 per cent was proper. We believe that the 14

per cent provided for in H. R. 9668 is most just and equitable to producers and elevator operators, as well as millers. What is said about the certificates in the case of foreign material also applies in connection with moisture.

The adding of the word "Damp" to the grade or upon the certificates is in our opinion superfluous because it is mere repetition.

H. R. 9668 provides that where moisture in excess of 14½ per cent is found that fact shall be designated on the certificates, but shall not affect the grade. We can see no reason for changing that.

Referring to the table on page 2 of H. R. 9668, we have to say that all of the persons connected with the grain business to whom this has been exhibited have expressed the opinion that it is as nearly correct as can be made.

What reason there can be for increasing the test weights we are at a loss to know. We suggest no change be made in this table.

Without going into each matter of detail in the suggested amendments having found nothing therein to substantiate a request for such changes, we feel that the bill as drawn should be passed.

I suggest that in view of the widespread satisfaction expressed by representatives of producers, who are familiar with the provisions of this bill, that none of the amendments proposed be permitted to go thereon.

Yours truly,

G. H. TUNELL, *Chief Inspector.*

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Grades for spring wheat

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